

PERSONNEL MANAGEMENT PRACTICES IN  
MALAYSIA - THE CASE OF THE STATE ECONOMIC  
DEVELOPMENT CORPORATIONS

Juhary Haji Ali

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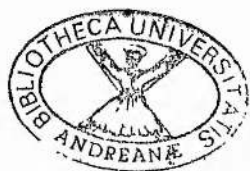
Ph. D. THESIS

PERSONNEL MANAGEMENT PRACTICES IN MALAYSIA : THE CASE OF  
THE STATE ECONOMIC DEVELOPMENT CORPORATIONS

By

Juhary Haji Ali

A Thesis submitted to the University of St. Andrews, Scotland in  
Fulfillment of the Requirements for the Degree of Doctor of Philosophy, 1993.





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(i) I, Ishary Haji Ali, hereby certify that this thesis, which is approximately 60,000 words in length, has been written by me, that it is the record of work carried out by me and that it has not been submitted in any previous application for a higher degree.

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## ABSTRACT

This thesis examines personnel management policies and practices within the State Economic Development Corporations (SEDCs) of the Malaysian economy. It is concerned to explore and assess the contemporary influence and significance of personnel managers and their policies on routine SEDC practices. Under the Malaysian government's New Economic Policy (NEP) of 1970, SEDCs are expected to provide employment, training and development of Bumiputra employees (i.e. Malay and other indigenous groups), to produce Bumiputra entrepreneurs and to increase their participation and ownership in the Malaysian commercial and industrial sectors. The empirical research which informs this thesis was designed to examine, first, whether these political, social and economic commitments have and do facilitate the development and emergence of personnel management in the SEDCs. Second, whether personnel managers currently play a significant role in ensuring that these objectives are met, and third whether there is a more significant contribution that personnel managers and policies could potentially make to the employment practices of SEDCs.

An overall finding of the empirical research is that there are significant barriers restricting the presence and influence of professional personnel managers in SEDCs. In 8 out of 11 SEDCs there was no separate personnel function or specialised, trained personnel manager. These primary research findings both reflect and reinforce a theme that can be found in some of the more critical personnel management literature which highlights the potential difficulties faced by some personnel managers and the negative consequences of the absence of personnel department in a great variety of organisations, industries and countries. Studies of personnel management suggest that barriers

to effective personnel management practices include : the low status of personnel managers, their subordinate relationship to line managers and the prevailing definition of organisational effectiveness that concentrates exclusively upon financial results. Many of the negative consequences of the absence of personnel management such as informalisation, inconsistency, inefficiency of personnel practices have been pointed out.

In this research, various cultural, political, legal and structural factors that constitute barriers to personnel management were found. In most SEDCs, the economic and social contributions of the personnel management and the significant role of personnel managers were de-emphasized and neglected. The absence of formalised, decentralised and standardized personnel management causes ad hoc and unsystematic manpower planning and training, discrimination in selection and promotion and a lack of motivational practices. In addition to examining these barriers, the thesis also seeks to highlight where appropriate facilitators to the development of personnel management as well as the potential impact on SEDCs employment practices of personnel management practices and initiatives. .



## CHAPTER 1

### INTRODUCTION TO THE RESEARCH

#### 1.0 INTRODUCTION

This thesis explores the personnel policies and practices of those Malaysian public enterprises, known as the State Economic Development Corporations (SEDCs). It presents the findings of a research project conducted in Malaysian SEDCs that was designed to explore and assess the possible influence of professionalised personnel departments and formalized personnel practices upon contemporary human resource processes. In particular, the thesis highlights the relative absence of trained personnel managers and formalised practices in many SEDCs and considers the barriers to the deployment of effective personnel policies and practices that currently characterize many of the SEDCs. It concentrates on the key personnel practices of: manpower planning; recruitment and selection of senior managers; training and development; payment and appraisal systems.

The following analysis seeks to highlight the relative absence of trained personnel professionals in the SEDCs and explores the organisational consequences of their lack of influence. It examines the historical, cultural and organizational barriers that restrict the emergence of strong personnel policies and practices, and outlines some of the negative consequences for the SEDCs of ineffective and informal personnel management practices and the absence of separate specialized personnel departments. It also considers whether such informal personnel practices may not only reflect, but also reinforce the economic difficulties that characterize the majority of Malaysian SEDCs. Conversely, the thesis discusses whether more effective personnel practices could both reflect and reinforce improvements in the economic performance of

SEDCs. A small number of SEDCs were found to utilize more formalized procedures and more specialized personnel departments. Accordingly, the thesis also explores some of the facilitators of more effective personnel practices as they emerged, albeit in a small number of cases.

In this first chapter I seek to highlight the key issues that informed the research on which the thesis is based. Having outlined these questions, this introduction summarizes the central themes of subsequent chapters and the overall structure of the thesis. In order to understand the nature and significance of Malaysian SEDCs, we must begin by considering the historical processes that have characterised Malaysian society as a whole and led to the creation of SEDCs. These will now be discussed in the following section.

## 1.1 MALAYSIAN SOCIETY - ETHNIC SEGREGATION

Malaya achieved independence from being a British colony in 1957. In 1963, Malaya together with Singapore and two British North Borneo territories, Sabah and Sarawak, united to form Malaysia. However, Singapore resigned from the Malaysia federation in August 1965, two years after the merger. The population of Malaysia consists of three ethnic groups, i.e. Malay (the largest group), Chinese and Indians. Though more than half of the Malaysians are Malays (Muslims) and Islam is the official religion, multi-racial Malaysia is not an Islamic State. Shariah (Islamic law) governs how Malaysian Muslims marry, divorce, adopt children and violate the Islamic tenets such as drinking alcohol and not observing the fasting month of Ramadan. But criminal charges against Muslims or non-Muslims are heard in secular courts under the federal Penal Code. It is all in accordance with the federal constitution which guarantees freedom of religion (Asia week, June 5, 1992:27).

Prior to Britain's involvement in Malaya, the country was inhabited and ruled by the Malay (the Bumiputras or "sons of the soil"). In treaties concluded with the Malay rulers, Britain made a commitment to preserve the position of the Bumiputra which was specifically safeguarded by the constitution of the country (Conway 1980:5-6). The Malay Reservation Act, 1913 is a case in point. During the British colonial period (1870s to 1957), the Malay population remained undisturbed in the traditional occupations of farming and fishing in the countryside particularly on the north and the east coast services. By contrast, on the west coast immigrant workers from India were employed in rubber plantations and the Chinese worked in tin mines and, as well as in various capital works. Thus the trade and commercial economy which was concentrated and flourished in the cities and along the west coast was monopolised by Chinese and foreign investors. The Chinese, through their network of contacts and kinship ties among Chinese businessmen and merchants throughout Asia (Hamzah Sendut 1991: 63), began to dominate the business community of Malaysia. In consequence, the Chinese became successful and wealthy entrepreneurs established in the cities and towns while the Malays remained a traditional rural and poor group. They were mostly employed in agriculture and public sector organizations until today.

Historically, Malaysian society and culture has been characterised by racial and ethnic preoccupations (Jomo 1989). Problems in the inter-ethnic relations were intensified by significant and depressed inequalities which were based on ethnic divisions. These long standing economic and social disparities led to a racial riot in May 1969. After the state of emergency, a New Economic Policy (NEP) was launched during the Second Malaysia Plan (1971-1975) in 1971. The NEP objectives included a balanced distribution of wealth and employment among the three major races (Malay, Chinese, Indian and others). The main objective was to achieve a 30% Bumiputra (Malay and other indigenous groups)

participation in the Malaysian economy (employment, equity and ownership) over a 20 year period, from 1970-1990. Although the imposition of at least 30% Malay quotas in the commercial sector and the favouring intake of Malays into higher institutions were quietly resented by the Chinese ethnic group in particular (Browning 1991: 10), the NEP reflected the need to satisfy Malay political demands for socio-economic privilege in the country, particularly to bring the Malays into the commercial sector and to modernise a Malay society traditionally tied to rural communities and concerns. These objectives of the NEP have been passed through various government initiatives and controls such as business and educational quotas, government-sponsored buying out of foreign businesses, creation of government companies and public enterprises. The SEDCs were identified as a primary mechanism through which the NEP objectives were to be realised. The NEP has moved the SEDCs from the traditional role of providing "public goods" to becoming "trust agencies" for the Bumiputra and as government's instruments for economic and political control. However, as the following section outlines, the SEDCs have faced considerable difficulties since their inception.

## 1.2 DEVELOPMENT OF MALAYSIAN PUBLIC ENTERPRISES

Despite being successful in facilitating ethnic Malay participation in economic activities, many public enterprises like the SEDCs have experienced severe financial difficulties. More recently (1987-1988), the Malaysian government and the public at large have been very much concerned with the operations and performance of public enterprises, particularly the SEDCs. These organizations comprise 50 percent of public enterprises under the Ministry of Public Enterprises. The slowdown in the growth of productivity and the increased rate of failure of Malaysian state enterprises and corporations have become pressing national problems. Increasingly the management of public

enterprises has been claimed to be the cause of the financial failures of these government agencies. These accusations have led to a campaign for the privatisation of government-owned enterprises. Alongside this campaign has been the restructuring and the closing down of a large number of government-owned businesses which began during the period of economic crisis of 1984-1986.

The period of 1984 - 1986 (recession period) has been the worst for the performance of public enterprises. In 1980, it was estimated that about 38.5 percent of public enterprises produced no profits. In 1981, out of the 321 companies that then comprised SEDCs, 94 reported losses. In 1985, there were 338 SEDCs' companies of which 97 were fully-owned, 92 joint-ventures (with more than 51% equity), 73 associate companies and 76 invested companies. Out of 218 companies surveyed by the government, 66 were in a financially weak position and 36 were in serious trouble. In all, it has been claimed that 307 government owned companies suffered losses of M\$2,031 million up to the end of 1985 (Ling & Peng 1987)<sup>1</sup>. In 1986 the percentage of non-profitable public enterprises rose to 49.5 percent. In 1987, the government reported that out of 1,148 public enterprises, 562 showed losses. The losses amounted to M\$1.900 million in 1987. In 1988, it was expected that at least half of the estimated 1000 non- financial public enterprises (NFPEs) and their subsidiaries involved in trading and commercial activities would either be sold, revamped or wound up if there were no takers to turn them around. In 1993, the government has decided to privatise or sell those estimated 1000 federal and state -owned enterprises.

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<sup>1</sup> See Khor, Martin (1987) "Privatisation and Accountability"  
(Paper presented at the Seminar on "Privatisation in Malaysia," Kuala Lumpur.)



By the end of 1992, about 144 companies belonging to 14 State Economic Development Corporations (SEDCs), State Agricultural Development and Federal Agencies have already been sold : 104 SEDC-owned, 3 owned by the State Agricultural Development Corporations, and 37 federal agencies' companies. The performance of wholly - owned SEDCs has been most problematic. Here losses are much higher than for joint- ventures. In an effort to ensure continued profits, Permodalan Nasional Berhad (PNB), a public investment corporation, has taken over 23 subsidiary companies, of which 15 were owned by the SEDCs. With the help of two government corporations, i.e. PNB and National Corporation (PERNAS), the government achieved control of 19% of Bumiputra Equity in 1988.

There are many factors which could contribute to financial problems of government-owned enterprises. The reasons for the failures of many SEDCs were publicly reported to be due to inefficiencies, corruption, political intervention such as the appointments of government bureaucrats and politically well-connected Malays as top executives (Jesudason 1990). The government has recognised that the critical factors which hindered the success of government-owned enterprises were not just the nation's economic environment, such as the economic slowdown in the early 1980s and the lack of integrated long range planning in sectoral development, such as in agriculture, industrial, social and institutional development, rural development and other areas. Bumiputra attitudes and high expectations of government support, assistance and protection, lack of management training and entrepreneurial skills and the absence of "work ethic" and management orientations toward the work of many government trust agencies have also been highlighted as causal factors.

These foregoing debates and arguments in Malaysia raise important questions regarding the criteria and measurement of organisational success. Definitions of "success" inevitably numerous. They may include profitability, financially self-managed, organisational expansion, innovativeness, achievement of the organisation's mission and goals and quality of its management (see Ghorpade 1971). During this research project, it was found that eight out of the eleven SEDCs in West Malaysia are considered by the government to be relatively less financial successful. The success of the SEDCs as defined by the government is determined by their financial performance and ability to pay back government loans. The above two criteria are set by the Ministry of Public Enterprises which monitors the performance of the SEDCs. Although there may be a variety of alternative ways of measuring or even calculating the relative financial success of SEDCs (e.g. profit or revenue per employee), the provision provided by the Ministry of Public Enterprises will be utilised here. This definition is used not least because it is widely accepted as a legitimate definition through Malaysia.

Against this historical and contemporary background of considerable economic and ethnic difficulties faced by the SEDCs, this research was designed to explore the real and potential impact of personnel managers and personnel practices on these processes. The project was also concerned to explore what factors may be constraining the development of personnel practices in the SEDCs. For example, the Malay cultural values and norms, the increased power and influence of Malay bureaucrats, politicians and politically well-connected businessmen (Jomo 1989), as well as government regulations and legal requirements are all possible factors that could inhibit effective personnel practices. Indeed, the importance of personal ties that foster a patron-client network of political leaders and civil servants has been revealed in the appointment of certain persons in key positions in the Malaysian public service

(Gale 1984: 33). This has been termed patrimonialism which constitutes a set of informal practices of mutual obligation, personalism, paternalism and protectionism (Redding 1990: 155). The research sought to examine whether such informal processes have affected personnel practices and vice versa, particularly in the context of selecting, promoting and rewarding individuals in the Malaysian public enterprises.

There are several key reasons for selecting the SEDCs as the context for the empirical research. First, the SEDC group is the biggest public enterprise group under the Ministry of Public Enterprises (see Table 1.2). There are thirteen SEDCs in Malaysia: eleven in West Malaysia and two in East Malaysia. Each SEDC generally operates within its regional (state) boundary and is geographically distributed across the country. In West Malaysia, three are on the east coast, 4 on the north, one in the south and three on the west coast (Appendix 1.4). In eleven SEDCs, out of 4035 employees, 503 (12.5%) are managers and officers, 290 (7.2%) are technical and executive officers, 1303 (32.3%) are clerical and 1939 (48.0%) are manual employees (Table 1.1). Secondly, the SEDCs have been relatively successful in ensuring increased Bumiputra participation in the economy (business and commerce) and employment practices. This progress is measured in terms of the capacity to employ and train Bumiputra personnel, to attract, hire and retain potential and qualified Bumiputra technocrats, and to create Bumiputra entrepreneurs. The organizational size and economic expansion reflect the SEDC's significant contribution to increased Bumiputra employment as well as increased equity and ownership. Thus the degree of success both in financial terms and employment practices is of value to SEDCs' members, to the Malaysian society and government. Thus the SEDCs are now a central part of the Malaysian economy because the economic performance and behavioural effectiveness of the SEDCs are intended to reflect the government's concern to reduce economic imbalances



among ethnic groups in the country as outlined in the NEP. The following section briefly considers the nature of public enterprises. The important role of public enterprises in the economy and socio-economic development of the state is outlined.

**Table 1.1**  
**Number of SEDCs Employees**  
**by Job Classifications, 1989**

	Manager / Officers	Technical Personnel	Clerical	Manual Workers	Total
1. Selangor	95 (5.70%)	72 (4.4%)	482 (29.2%)	1002 (60.7)	1651
2. Johor	83 (15.9%)	47 (9.0%)	99 (19.0%)	293 (56.0%)	522
3. Penang	69 (16.1%)	17 (4.0%)	137 (32.0%)	205 (47.9%)	428
4. Pahang	58 (18.0%)	40 (12.4%)	149 (46.3%)	75 (23.3)	322
5. Perak	33 (11.9%)	24 (8.6%)	115 (41.4%)	106 (38.1%)	278
6. Terengganu	50 (19.4%)	25 (9.7%)	96 (37.4)	86 (33.5)	257
7. Kelantan	32 (19.9%)	23 (14.3%)	57 (35.4%)	49 (30.4%)	161
8. Kedah	36 (25.3%)	12 (8.5%)	52 (36.6%)	42 (29.6)	142
9. Negeri Sembilan	20 (15.1%)	15 (11.4%)	60 (45.5%)	37 (28.0%)	132
10. Melaka	20 (20.6%)	7 (7.2%)	40 (41.2%)	30 (40.0%)	97
11. Perlis	7 (15.6%)	8 (17.8%)	16 (35.5%)	14 (31.1%)	45
Total	503 (12.5%)	290 (7.2%)	1303 (32.3%)	1939 (48.0%)	4035

### 1.3 WHAT IS A PUBLIC ENTERPRISE ?

The terms public enterprise (PE), public (industrial) corporation, state corporation and state-owned enterprise do not seem to indicate any substantial disagreement at the conceptual level. It has been suggested that the question of public enterprise's purposes and activities, the relationship of public enterprise's revenue and cost and the issue of formal ownership probably make it even more difficult to define and separate public enterprise from other public organisations, such as government departments and agencies which solely provide "public good" such as public administration, defence, education, etc. (Truong 1976: 2). Thus to avoid such confusion, the definition of public enterprises is usually confined or restricted to public corporations which are not purely concerned with provision of a "public good" or social services. Hanson (1965: 115), for instance, defines public enterprises as agricultural, industrial and commercial concerns which are owned or controlled by the central government (in a unitary state) or by the central or regional governments (in a federation). These public enterprises sell goods or services or both and they are supposed to finance all or part of their operations out of such sales (Sadique 1976: 365).

In economic and social perspectives, the need and the reason for the growth of the state can be assessed by reviewing the neo-classical theory. The neoclassical theory views the existence of the state in terms of 'market failure' or 'private sector failure' (both markets and firms) which results from the existence of public goods, monopolistic and oligopolistic market structures and excessive transaction costs. It views the consumers (public) as the principals and the government (state) as the agent. The aim of the agent (the state) is to maximize the utility (consumption, profit) of the principals (the general public or sovereign consumers). The state, through its government regulations, administrative decisions and other law enforcement agencies, has the coercive power to

influence the use of factors of production (to get something done at the lowest price) and to reduce or minimise on transaction costs (costs of running the economic system). In addition, there are also distributional disparities in terms of income, power and freedom, etc. between the 'privileged group' and the 'unprivileged group'. Thus, according to neoclassical theory, the demand for state services explains the growth of the government sector in market economies.

The role of the state or the extent of the state's intervention in the economy can be observed from the socio-economic systems in which each state operates. In a broad economic terms, the economic systems of each particular country can either be socialist, capitalist or a mixed- economy. Others characterize it as "laissez-faire, authoritarianism or economic competition (Gelinier 1968: 10). However, the amount of state enterprises (actual and projected) does not necessarily provide an index of government intervention in economic life. Sweden, for example, is more socialist than Britain, and yet has fewer nationalised industries and far less than the French (Hanson 1965: 16; Gelinier 1968:136). In countries with a mixed economy, the private and public sectors, and the joint-sector can co-exist and even compete with each other in certain economic sectors.

The ideology of state intervention and public ownership in the mixed economy system, partly public, part private (Rees 1973: 13) can also be discussed from political (and sociological) and economic perspectives. When social criteria are used for measuring the performance of private enterprises, then private sector organisations frequently seem to fail in their public duty to employees and the general public. They appear to display lack of social concern which may include issues such as: the quality of work life, job security and the extent of consumer exploitation for excessive profit and differences in income, privileges

and status and unequal representation of different interests and views in business decision-making (Child 1969: 86-88; Braverman, 1974). Hence the monopoly and domination of private enterprises in the economy and the government public expenditure especially in social and regional developments have led to the creation of public enterprises and other nationalised industries which take part and share in the distribution of employment, income and wealth. So, for example as Table 1.2 reveals, the Malaysian Government is heavily involved in a great variety of industries and organisations.

**Table 1.2**  
**Government Agencies under the Ministry of Public Enterprises,**  
**Malaysia, 1989.**

1. State Economic Development Corporation (11 in West Malaysia; 2 in East Malaysia)	13
2. Urban Development Corporation	1
3. Food Industries of Malaysia (FIMA)	1
4. National Padi and Rice Board (LPN)	1
5. Malaysia Shipping and Engineering (MSE)	1
6. Malaysia Industrial Development and Finance (MIDF)	1
7. Malaysia Development Bank Ltd.	1
8. Malaysia Finance Corporation Ltd. (KKMB)	1
9. Agricultural Development Board/Corporation:	
i. Pahang (LKPPNP)	1
ii. Perak (PPPNP)	1
iii. Selangor (PKPS)	1
10. Road Transport and Licensing Board (LPPJ) (West Malaysia, Sabah and Sarawak)	3
Total	<hr/> 26 <hr/>

Source: Ministry of Public Enterprises, Malaysia  
Annual Report, 1986

The degree of state intervention which is seen to be necessary will differ from country to country (Hanson 1965: 14). For instance, the development of public enterprises in many developing countries was said to be a result of economic development strategies to bring about structural changes in these economies. The role of multinational corporations and other foreign investors in the economy, to some degree, has led the governments of many developing countries to participate directly or through joint-ventures, and to own and control the economic sector. In addition, the international financial institutions and aid-giving agencies, such as the World Bank group which previously preferred to channel loans and aid through public enterprises, has also encouraged the creation of state enterprises in many developing countries, in particular (Haile-Mariam & Mengistu 1988: 1568-1569).

In many developing countries in Africa, Latin America and Asia (Hanson 1965; Holland 1972; Sadique 1976) public enterprises have participated in all sectors of the economy. Agriculture, transportation, credit and banking, manufacturing industries of all types and sizes, public utilities, road, health, mining, plantation and cultural organisations are examples. In South Korea, for instance, public enterprises are involved in cement plants, cotton and woollen mills, coal and iron and mines and merchant and fishing fleets. In Taiwan, public enterprises have acquired Japanese industrial and commercial assets. In the Philippines, the government is participating in industrial, transport and communication. The roles of public enterprises in other countries like Turkey, Iran and India are similar (Hanson 1965: 14-16). By contrast, the Japanese government acts as a "tireless innovator" in a whole series of manufacturing industries. In Mexico, the state does not want to manage or own particular enterprises, but rather seeks to help private enterprises to take charge of transforming the economy of the country (Hanson 1965: 14). In the case of African public enterprises, they have become an important forum for employing

albeit at a high cost to the state enterprise, but presumably to the long-term benefit of the nation as a whole. In Senegal, it was reported that 70 percent of all managers and technical personnel in the public sector were Senegalese by 1977, against only 32 percent in the private sector. The percentage of African managers were much higher in Tanzania, Kenya, Ethiopia, Somalia, Egypt and Ghana than in Senegal, both in the public and private sector (Haile-Mariam & Mengistu 1988: 1575).

Despite the economic involvement of the various governments in public enterprises around the world, the 1980's in many countries both in the west and the east were increasingly characterised by the view that such involvement was inefficient and unproductive. There had been a world wide movement against publically-owned companies on the ground that private sector corporations are more efficient. The privatisation policies of the Thatcher government in the U.K. are a case in point. Yet research evidence suggests that considerable inefficiencies continue to characterise private sector organisations (e.g. Beynon 1980; Nichols & Beynon 1977; Kondo 1990). It is in the context of this debate regarding the relative merits of public and private sector organisations that the present study was conducted. As the following section will now outline in more detailed picture of one specific aspect of public sector employment practices, namely the role and influence of personnel managers and policies.

#### 1.4 THE SPECIFIC RESEARCH QUESTIONS

Numerous researchers have suggested that the interaction of all personnel management practices should be studied when researchers consider personnel management activities at a firm level (Williams & Dreher 1992: 577). On the surface of it, the management of the SEDCs appeared to have considerable autonomy and authority to employ, to provide incentives, to



promote , to train and to develop their employees and to devise their personnel systems. Accordingly, the following questions are central to the research:

1. What is the role and status of Personnel Managers and their departments?
2. How influential are professional Personnel Managers and their policies in the employment practices of SEDCs.
3. What factors in Malaysian Public Enterprises facilitate or inhibit the emergence of effective personnel policies and practices ? Do these factors vary by each individual enterprise?

So far as I am aware, this is the first study which has sought to develop a detailed examination of Malaysian State Economic Development Corporations (SEDCs) in general and of their personnel management practices in particular. These questions are explored with reference to personnel management variables of manpower planning, recruitment and selection, pay and reward system, appraisal system, training and development and organisation structure are identified. The study will explore and examine the barriers and facilitators of effective personnel practices and the consequences of actual personnel practices in the SEDCs. The study will draw on empirical data to reveal, identify, clarify and document those factors which hinder and facilitate effective personnel practices and the consequences of ineffective personnel management. On the basis of this examination of these barriers and facilitators to effective personnel various alternative ideas for improving the personnel management of the SEDCs will be presented in the conclusion of the thesis. Such improvements in personnel management, I argue, will enhance the performance attractiveness of the SEDCs and establish a public image for these organizations. It has been recognized that effective personnel practices are one of the significant factors affecting the strategic behaviour of organisations (Miller 1987: 347-361).

## 1.5 STRUCTURE OF THE THESIS

The thesis is divided into 9 chapters. Chapter 2 and 3 place the research findings in their context, first in relation to the historical and contemporary context of Malaysia and second in relation to the current literature in personnel management. Chapter 2 reviews the Malaysian background to the emergence of SEDCs. It highlights the Malaysian economy, political and social structures which lead to the development of the public enterprises. The roles of the SEDCs in achieving the government's New Economic Policy including hiring, training and creating Malay managers and entrepreneurs, and increasing Malay equity and ownership through organizational expansion are discussed. Possible problems to personnel management practices which could hinder the SEDCs in achieving those objectives are also highlighted. Chapter 3 reviews theory and practice of personnel management as it is discussed in the available literature. This chapter highlights the frequent discrepancies between theories and practices.

Before presenting the research findings, Chapter 4 outlines the objectives, scope and methods of the empirical research project. The following chapters (Chapter 5 to 9) then discuss the research findings in respect to the relative absence of personnel practices in the SEDCs, negative consequences of ineffective personnel management practices and the barriers and facilitators to effective personnel management. Chapter 5 examines cultural barriers to effective personnel management. The findings suggest that the "Malayness" of the SEDCs is one of the factors contributing to the passive and reactive of the personnel manager. Chapter 6 explores the negative consequences of ineffective personnel management practices. Chapter 7 illustrates how political, legal and organisational structures in which the SEDCs operate hinder the effectiveness of



personnel functions. Chapter 8 illustrates how certain organizational factors such as financial success, location, organizational and managerial ideology (corporate philosophy) and organizational size facilitate the development of effective personnel practices in a small number of successful SEDCs. Chapter 9 concludes that personnel management in the SEDCs remains underdeveloped. The concluding chapter prescribes the organizational changes which seem necessary for personnel management to be developed.

## CHAPTER 2

### BACKGROUND TO MALAYSIA

#### 2.0 INTRODUCTION

This chapter identifies and discusses three primary factors which contribute to the nature of public enterprises in Malaysia. They are : the nature of the political system which has emerged since the colonial period, the structure of society and the economic policy of the country. This chapter explains these three political, social, economic and organizational factors which facilitated the development of public enterprises as well as hindered public enterprises in achieving the objectives of the government's New Economic Policy, particularly to increase employment, training and development and participation of Malay ethnic community in the commercial and industrial sector.

#### 2.1 POLITICAL BACKGROUND

When Malaysia became independent in 1957, the controlling political party was the Alliance Party which was formed from the coalition of three communally-based political parties. These three parties were the United Malay National Organisation (UMNO), the Malaya Chinese Association (MCA) and the Malaya Indian Congress (MIC). Subsequently, between 1970 and 1972, a new wider national party, the National Front was formed consisting of these three members of the Alliance Party and a few other parties, such as Parti Gerakan (a Chinese-based party), SUPP, a Sarawak-based party, USNO, a Sabah-based party and People's Progressive Party (PPP), an Indian-based party. After winning the October 1990 general election, two opposition parties, i.e. the Pan Malaysian Islamic Party (PMIP) and the Parti Bersatu Sabah (PBS) are now ruling Kelantan and Sabah states

respectively. Above all, the National Front Party serves both the Malay and non-Malay communities while at the same time the Malays (UMNO) retain political preeminence.

In May 1969, Malaysia experienced a racial riot which broke out in Kuala Lumpur (the capital of Selangor state and Malaysia). The riot was caused by the breakdown in racial cooperation, excessive and conflicting demands over economic, education and politics made by both Malays and non-Malays. The Malays feared that they had lost the political control of the Selangor State government and the UMNO (United Malays National Organisation party, a Malay-based party) leadership was seen to be paralysed. A state of emergency prevailed for about 21 months.

During that same period of disturbance, the UMNO radicals (Gale 1981: 28) charged the government with not making enough effort to lessen the conditions of poor Malays who predominate in the agricultural sector as compared to the non-Malays who are largely employed and active in the industrial and commercial sector. The first Prime Minister, Tunku Abdul Rahman (1957-1970) was blamed and was accused by the Malay community of neglecting Malay interests and of giving "too much" to the demands of the economically influential Chinese community on economic and education issues in the post-independence era. Consequently, such political pressure forced the Prime Minister to resign in 1970. When the parliament reconvened in 1971, a constitutional Amendment Bill which provides a special position for Malays and other indigenous groups, Malay as the official language, the sovereignty of the Sultans (Rulers of the states) and the King and the citizenship rights of the immigrant communities was laid down. A subsequent legislation made it an offence for these provisions to be questioned either publicly or in parliament.

During the same period, younger Malay intellectuals (leaders) who demanded social changes in favour of unprivileged Malays were quietly promoted to cabinet positions (Gale 1984: 31). Subsequently, the formulation of the New Economic Policy (NEP) marked an emergence of Malay entrepreneurs and the growth of Malay corporates, i.e. government-owned enterprises (public enterprises). The NEP was designed to eliminate the subordinate position of Bumiputra. This was embedded in the ethnically segregated social pattern of Malaysia as the following section discusses.

## 2.2 STRUCTURE OF MALAYSIAN SOCIETY: ETHNIC SEGREGATION

The nation's three ethnic groups are the Malays or Bumiputra (the indigenous group), the Chinese and the Indians. Traditionally, the Malays (Bumiputra) are agriculturalists and rural dwellers due to the fact that during the British colonial period, Malays were left undisturbed in a peasant-based agricultural economy while immigrant Chinese and Indians worked in tin mines and rubber estates respectively, and on various capital works. It should be noted that at the time when the British intervened in Malaya (as it was called at the time), the country was inhabited and ruled by the Malays. As Conway outlines,

The origins of Malaysia's multi-cultural society lie in the period of British rule in Peninsula Malaysia, or Malaysia as it was then known, from the 1870's to 1957. When Britain intervened, the Peninsula was inhabited and ruled by Malays. In treaties concluded with the Malay rulers, Britain committed herself to preserving their legitimate position. As a result the Malays are considered the definitive people of the country, "Bumiputra," translated as "sons of the soil." This "special position" is specifically safeguarded by the constitution of the country. However, Britain was also committed to protecting the Malay people from the economic changes in their country and preserving their traditional occupations as farmers and fishermen. In the process they were excluded from the modern sectors of the economy (Conway 1980: 5-6).

It was during the period of British rule (1870s to 1957) that the discovery of tin deposits and the growth of world demand for tin and the expansion of plantation and estate cash crop agriculture drew the Chinese and Indian immigrants to the country. It was claimed that by 1901, there were already 301,000 Chinese and 58,000 Indians to 313,000 Malays. By 1921, there were 495,000 Chinese and 305,000 Indians to 511,000 Malays (Census of British Malaya, 1921:29). Conway (1980: 6) argues that the stability provided by British rule, the access to Western markets and to European capital stimulated economic growth in the peninsula and created a need for a large labour force. The discovery of tin deposits along the west coast and the growth of the world demand for tin in the latter part of the 19th and the early 20th centuries, drew thousands of Chinese into Malaya. The presence of a British administration in India facilitated the importation of thousands of Tamils for the plantation industry.

Initially the immigrants were transient: the Chinese and Indians who came were largely male and returned to their countries of origin when they had saved enough money, or during periods of economic depression. However, a change in the regulations governing immigration in the 1930's brought increasing numbers of Chinese and Indian women into the country which made these substantial immigrant communities far more settled; indeed since independence most of them have acquired citizenship (Conway 1980: 6).

Table 2.1 shows the distribution of Malaysian society by ethnic groups from 1985 to 1990. It was estimated that the number of Bumiputra (Malay and other indigenous groups) will rise to 11,152.2 million (61.92%) by 1990, an increase of 0.68 % more than in 1988. The percentage of Chinese and Indians will decrease to 29.40% and 8.10 %, which indicates a reduction of 0.58% and 0.10% respectively.

**Table 2.1**  
**Population of Malaysia**  
**(Millions)**

	1985	1988	1990
Bumiputra	9,538.3 (60.13%)	10,503.5 (61.24%)	11,152.2 (61.92%)
Chinese	4,901.4 (30.89%)	5,139.2 (29.98)	5,293.6 (29.40%)
Indian	1,328.1 (8.37%)	1,407.1 (8.20%)	1,459.4 (8.10%)
Others	96.2 (0.61%)	100.3 (0.58%)	105.0 (0.58%)
Total	15,864.0	17,150.1	18,101.2

Source : Mid - Term Review, Fifth Malaysia Plan (1986 - 1990),  
June, 1989.

This increased presence of Chinese and Indians in the country, has made the Malaysia, probably the only country in the world in which there are three major ethnic groups, i.e. Malay, Chinese and Indians. These three groups have their separate cultures in respect to their language, their codes of dress, customs, behavioural patterns and religions. For instance, Malays are Muslims, Chinese are Buddhists and Indians are Hindus (Hamzah Sendut 1991: 62; 66). The cultural differences are also reflected in the employment patterns among these three races.

Despite the divided occupational pattern between the Malays and the Chinese communities, the majority of the Malays were government administrators. During the period of British rule, Malaya was ruled by the British administrators who were in the Malayan civil service (MCS). When the British administration grew, the aristocratic English educated Malays (the Malay elite group) were employed in the Malayan civil service as government civil servants. In 1938, it was found that twenty-one out of twenty-four Malays in the Malayan Civil service (MCS) were of



aristocratic or chiefly descent. Many of them were also members of state council in their own states (Gale 1981: 23). Thus, it is quite accurate for someone to conclude that the present Malay political structure, Malay aristocracy and government civil service are interlinked and overlapp as a result of British encouragement of Malay civil servants to participate in political activities.

The occupational specialisation which this division of labour produced created problems of social and economic disparity which remain to the present day (Gale 1981:18). The Malay population remains in the traditional occupations of farming and fishing in the countryside, particularly in the north and the east coast. The trade and commercial economy concentrated and flourished in the west coast and in the cities and was monopolised by the Chinese and foreign investors. As a result, the occupational pattern between the Malays and the Chinese was weak in the sense that the Chinese businessmen and traders were successful and well established in the cities and towns of the west coast such as Selangor, Perak and Penang especially. Table 2.2 indicates that the majority of Malay are found in Terengganu, Kelantan, Perlis, Kedah, Johor and Melaka respectively, while the majority of Chinese and others are settled on the west coast in Penang, Perak, Selangor, Negeri Sembilan and Kuala Lumpur.

In Penang, the distribution of the population is also reflected in the employment structure in the private sector which shows that out of a workforce of 196,308 in 1988, 104,763 (53.4 %) jobs were taken by Chinese, 65,746 (33.5 %) by Malays, 24,468 (12.5 %) by Indians and 1331 (0.6%) by others. The total workforce in manufacturing and the business sector indicates 48.6% and 75.4% are Chinese, while Malays constitute only 39.3 and 15.5% respectively (Table 2.3).

Table 2.2

## Majority of Malays in West Malaysia (1990)

State	Percentage of Malay
Terengganu	94.2
Kelantan	93.0
Perlis	97.5
Kedah	72.4
Johor	55.3
Melaka	53.9
Negeri Sembilan	47.1
Selangor	45.4
Perak	45.3
Kuala Lumpur	33.2
Penang	33.6

TABLE 2.3

## Population of Penang (By Race)

(Source: Department of Statistics, Kuala Lumpur)

	1985	1986	1987	1988
<b>Race</b>				
Malay	353,311	362,911	372,300	380,700 (34.5%)
Chinese	563,519	571,154	577,600	583,700 (52.9%)
Indian	120,397	122,624	124,900	126,600 (11.5%)
Others	12055	12,163	12,200	12,300 (1.1%)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,049,282	1,068,852	1,087,000	1,103,200



**Table 2.4**  
**Employment of Malays by Occupation**  
 (1967 - 1968 Socio-economic survey)

Occupation	Total Nos. ('000)	Total Malays ('000)	% Malays
1. Professional, Technical, etc.	119.1	55.2	46
2. Administrative, Executives, Managerials	37.4	8.3	22
3. Clericals, Secretarials	96.0	29.6	31
4. Sales	222.4	57.1	31
5. Agricultural	1176.3	764.8	65
6. Miners, Quarrymen	22.8	3.5	15
7. Transport, Communication	85.1	38.1	45
8. Craftsmen, Production, Process workers, etc.	433.4	156.0	36
9. Service, Sport Recreation, etc.	172.0	64.7	38
Total	2,365.5	1177.6	50

Table 2.4 shows the Malay participation in different occupational categories within each industry as reported in the socio-economic survey of households conducted in 1967-68. The data show that Malays constituted the highest percentage (65%) of the total number of people in agricultural occupations and a low percentage (an average of 33%) in other occupational groups like professional, executive, sales, craft production and other service occupations.

## 2.3 GOVERNMENT ECONOMIC POLICY

The government's development planning was first drafted in the Draft Development Plan of the Federation of Malaya (1950-1955) and in the Development Programmes (1951-1955). However, the period of Emergency hindered the implementation of such development programmes. Later, the following development plans were implemented: The first Malaya Plan (1965-1960), the Second Malaya Plan (1961-1965), the First Malaysia Plan (1966-1970), the Second Malaysia Plan (1971-1975), the Third Malaysia Plan (1976-1980), the Fourth Malaysia Plan (1981-1985) and the Fifth Malaysia Plan (1986-1990). All these five-year government plans were formulated for the overall national economic and social development.

### 2.3.1 The New Economic Policy (NEP)

The launching of the NEP in the Second Malaysia Plan (1971-1975) marked the government's greatest concern and effort toward the goals of socio-economic development, the eradication of poverty and the restructuring of society in order to reduce imbalances among the ethnic groups, social classes and territories in the country (Robless, 1976:10). As a matter of fact, the NEP is mainly meant to increase the number of Malays engaged in the commercial and industrial activities (Gale,

1981:15-28) measured by equity, employment, ownership and participation in the economy (Abdullah S. Ahmad 1982: 120). In 1969, the ownership of wealth was disparately distributed of which foreign interests owned 62%, Chinese owned 23% and Malays only owned 1.5% (see Second Malaysia Plan report). This structure of wealth ownership shows a serious imbalanced distribution of wealth and employment. Table 2.5 shows that in 1972 and 1973 the percentage of Malay participation in industry, trade, transport and professional establishment was far behind that of the Chinese and foreigners. Table 2.6 indicates the incidence of poverty among ethnic groups in 1984 and 1987. It demonstrate that the poverty level of Bumiputra was the highest (25.8% and 23.8%) as compared to Chinese (7.8% and 7.1%) and Indians (10.1% and 9.7%).

It is expected that Malay and other indigenous groups are to manage and own at least 30% of the total commercial and industrial activities in all categories and scales of operations by 1990 (see Second Malaysia Plan). In terms of employment composition, Malays are expected to hold 50% of projected occupational employment when the Fifth Malaysia Plan (1986-1990) ends in 1990 (Table 2.7). Tables 2.8 and 2.9 show the proportion of new jobs that must be taken up by Malays for the fulfillment of the 50% target in these occupational categories for 5, 10 and 20 - year time periods ended in 1990, on the assumption that employment opportunities in such occupations will be growing at 6% per year (in the Fifth Malaysia Plan, it was estimated that the employment rate will rise from 4.7% in 1982 to 10.1% by 1990). It was projected that the number of Malays in clerical, sales and administrative occupations will be reduced to 61%, 59% and 62 % respectively by 1990. The percentage of Malays in professional occupations is expected to remain unchanged at 52 %.

Table 2.5  
(i)  
Ownership and Participation in Key Sectors,  
Peninsula Malaysia, 1972/1973  
(Percentage share in each sector)

		(ii)				
Sector		Malay	Chinese	Indian	Others	Foreign
(iii)						
Modern Agriculture (planted acreage, 1973)						
Rubber & Oil palm	21.0	26.3	2.6	7.9	42.2	
Coconut & Tea	0	9.9	10.8	0.4	68.9	
Industry (Value of fixed assets, 1972)						
Mining	0.7	35.2	0.1	9.5	54.5	
Manufacturing	6.9	32.5	0.8	14.0	45.8	
Construction	2.4	85.6	1.4	3.8	6.8	
Trade (Turnover value, 1972)						
Wholesale	0.8	55.0	2.7	0.6	40.9	
Retail	3.6	75.6	6.5	0.2	14.1	

Sector	Malay	Chinese	Indian	Others	Foreign
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**Transport**  
Assets, 1972)  
(Value of fixed

Taxi	40.6	39.7	18.0	1.7	0
Bus	18.0	54.3	1.6	6.5	9.6
Haulage	15.3	70.6	5.2	5.8	3.1

(iv)  
**Professional**  
**Establishments**  
(annual revenue,  
1973)

5.3	51.0	11.4	18.4	19.8
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(i) In corporate and non-corporate sectors. Establishments are categorised on the basis of majority ownership. Government ownership is added to the Malay category as most of it is held in trust by public enterprises and agencies. In rubber and oil palm, government ownership, excluding FELDA, is 0.9% and in manufacturing, 5.0%

(ii) Includes other Malaysian as well as establishments where no particular group owns more than 50% of the assets

(iii) Includes FELDA which had a planted acreage of 526,900 of which 96.2% was classified as Malay-owned.

(iv) Private establishments only. It includes doctors, dentists, lawyers, accountants, architects, engineers, surveyors and veterinary surgeons.

Source: Third Malaysia Plan, 1976-1980, p. 198.

Table 2.6

1

## Incidence of Poverty, 1984 and 1987

(Source: Mid - Term Review, Fifth Malaysia Plan (1986 - 1990), June, 1989)

Ethnic group	1984		1987	
	Incidence of poverty	Number of poor households	Incidence of poverty	Number of poor households
West Malaysia	18.4	483,300	17.3	485,800
Bumiputra	25.8	388,800	23.8	393,500
Chinese	7.8	66,100	7.1	61,700
Indians	10.1	25,000	9.7	26,700
Others	22.0	3,400	24.3	3,900
Sabah (including Labuan)	33.1	76,000	35.3	89,000
Bumiputra	39.2	73,100	41.9	86,100
Chinese	6.2	2,400	6.3	2,700
Others	12.4	500	5.0	200
Sarawak	31.9	90,000	24.7	74,300
Bumiputra	41.6	82,300	33.2	68,000
Chinese	9.3	7,700	6.7	6,300
Others	4.0	100	0.0	0

## Note:

1

The poverty line Income (PLI) used for measuring poverty in 1987 was M\$350.00 per month for a household of 5.14 persons in West Malaysia. For Sabah and Sarawak, it is M\$533.00 per household of 5.36 people and M\$429.00 per household of 5.24

The PLI consists of three major components which include food, clothing, footwear and non-food items such as rent, fuel, power, transport communication, health, education, and recreation.

Table 2.7  
 Peninsula Malaysia : Manpower Projection by Occupational  
 Groups, 1970 - 1990

	1970 Population Census	1973 Manpower Survey	1975 Adjusted	1980	1990	Rate of Growth (1973 - 1990)
Professional & Technical	139,406 (4.9)	151,167 (4.8)	174,301 (5.2)	226,832 (5.7)	390,405 (7.2)	5.7
Administrative and Managerial	21,232 (0.76)	30,655 (0.96)	34,006 (1.02)	44,813 (1.13)	73,864 (1.35)	5.3
Clerical workers	89,398 (3.2)	161,257 (5.0)	181,867 (5.5)	235,559 (5.9)	375,018 (6.9)	5.0
Sales workers	240,258 (8.6)	291,525 (9.3)	304,572 (9.2)	333,647 (8.4)	415,983 (7.6)	2.1
Service Workers	229,083 (8.2)	260,533 (8.3)	288,883 (8.7)	425,263 (10.7)	674,319 (12.4)	5.7
Agricultural workers	1,333,389 (47.8)	1,432,953 (45.5)	1,432,087 (43.2)	1,538,830 (38.7)	1,666,832 (30.6)	0.9
Production workers	738,934 (26.4)	454,540 (14.4)	504,878 (15.2)	667,446 (17.0)	1,143,605 (21.0)	5.6
Seem-skilled workers		367,070	397,406	492,810	708,585	3.9
Total	2,793,700	3,151,700	3,317,100	3,975,200	5,449,000	3.3



**Table 2.8**  
**Job Required to be taken up by Malays to Realise Occupational**  
**Composition Target within a ten - year period ( 1970 - 1980)**

Occupation	Total nos. of new jobs ( '000)	New jobs taken up by Malays ( '000)	% Malays
1. Professional, Technical, etc.	96	56	53%
2. Administrative, Executive, Managerials	29	24	84%
3. Clericals	77	52	74%
4. Sales	178	142	80%
Total	380	274	72%

Such government efforts reflect the restructuring of Malays from dominating in non-productive occupational groups to professional and technical occupations and increasing Malay shares in the corporate sector. The Mid-Term Fifth Malaysia Review (1986-1990) released in June, 1989 expected the Bumiputra share in the corporate sector to reach 19.6 percent, i.e. 10.4 % below targeted 30%) by 1990 (see Table 2.10). In 1988, Bumiputra employment in high income professional groups including doctors, lawyers, architects, engineers and accountant reached 25%, 58.4 % Chinese and 14.3% Indians (see Table 2.11).

**Table 2.9**  
**Required Participation Rate to Realise**  
**Occupational Employment Targets of Malays**

Occupation	5-year Plan (1975)	10-year Plan (1980)	20-year Plan (1990)
Professional, Technical, etc.	64%	53%	52%
Administrative, Executives, Managerials	-	84%	62%
Clericals	-	74%	59%
Sales	-	80%	61%

**Table 2.10**  
**Share in Corporate Sector (Percentage)**

	1985	1988	1990 (Expected)
Bumiputra	19.1	19.4	19.6
Other Malaysian Residents	54.9	56.0	56.0
Foreign Residents	26.0	24.6	24.0

Source: Mid-Term, fifth Malaysia Plan (1986 - 1990), June, 1989.

**Table 2.11**  
**Employment By Sector**  
**High Income Professional Group**  
**(Including doctors, lawyers, Architects, Engineers and Accountants)**

	1985	1988
Bumiputra	22%	25%
Chinese	61.2%	58.4%
Indians	13.9%	14.3%

**Source: Mid-Term, fifth Malaysia Plan (1986 - 1990), June, 1989.**

## **2.4 MALAYSIAN PUBLIC ENTERPRISES**

The public enterprises may be classified according to three major types or forms, namely, the departmental agencies, the corporation and the state companies. The departmental agencies are those that provide "public good", such as education and defence (Troung 1976: 2) and are not concerned with profitability. The public corporations are the development agencies, such as State Economic development Corporations (SEDCs) established under State Enactment; while the state companies, such as National Corporation Limited (PERNAS) incorporated as a public company under the Companies Act (Malaysia) 1965, engage in the production and marketing of goods and services. Thus, the objectives of each individual public enterprise might be stated in different degrees of clarity in the respective legislations of public corporations and in the Memorandum of Association for a Company (Raja Mohammed Affandi 1973: 34).

During the initial period of the New Economic Policy (NEP), public enterprises were given challenging roles in implementing an overall government plan for achieving national unity. For instance, the role of the public sector in economic development was to increase the percentage of total investment from 43.3% in the First Malaysian Plan (1966-1970) to 50.5% in the Second Malaysian Plan (1971-1975). The percentage of total investment in the private sector was to be reduced from 56.7% to 49.5% respectively (Raja Mohammed Affandi, 1973: 30,31). Thus, the period after 1970 saw a rapid growth of public enterprises. During the period of 1971 to 1973, about 31 new public enterprises were established. Among them, were 13 State Economic Development Corporations (SEDCs) established in all thirteen states: 11 in West Malaysia and 2 in Sabah and Sarawak of East Malaysia. At the same time, the role of public enterprises was shifted from the traditional role to stimulate and promote development to a more aggressive and direct participation in all economic activities.

Currently the number of public enterprises has increased to about 1188 of which 80 are Federal Statutory Bodies, 101 are State Statutory Bodies, 56 are government companies and 951 subsidiary companies. In 1989, it was reported that SEDCs held shares in 253 companies (Table 2.12). Johor SEDC which has the largest number of companies indicates its active involvement in the economy. The SEDCs' business and commercial activities now range from the agricultural sector, such as the opening of palm oil and sugar-cane plantations, rubber estates, timber logging and trawler fishing to land development schemes. In the industrial and commercial sector, SEDCs and their subsidiaries participate in joint-venture projects in agro-base and manufacturing industries, mining, building and construction and buying of Bumiputra reserved shares of private enterprises which have not been taken up by individual Bumiputra (indigenous group) or firms. As instructed by the

government, the issued shares reserved for Bumiputra bought by public agencies and SEDCs have to be held in trust until enough Malays can come forward to buy them up (Troung 1976: 61). The breakdowns of major public enterprises and their economic activities are shown in Tables 2.13.

Table 2 12  
SEDCs' Investment in Industries

Nos. of SEDCs' companies  
(Wholly - owned, Subsidiaries, Associate  
and Shareholders.)

West Malaysia

	1982	1983	1985	1989
Johor	31	31	14	77
Kedah	28	28	14	36
Pahang	22	22	7	24
Perak	63	63	9	23
Penang	20	20	10	22
Terengganu	20	20	13	20
Negeri Sembilan	15	15	11	16
Melaka	23	23	5	12
Kelantan	13	13	7	10
Perlis	2	2	5	10
Selangor	<u>2</u>	<u>2</u>	<u>5</u> <sup>i</sup>	<u>3</u>
Total	329	239	100	253
Sabah	23	23	8	N/A
Sarawak	28	28	15	N/A

Note: i including Perangsang Selangor

Source : Provided by SEDCs, 1989.

Table 2.13

## Major Public Enterprises in Commerce and Industry

National Corporation Limited (PERNAS).  
Council Of Trust for Indigenous People (MARA).  
State Economic Development Corporations (SEDCs).  
Urban Development Authority (UDA).  
Pilgrims Management and Investment Board (LUTH).  
Malaysian Finance Corporation (KKMB).  
Malaysian Industrial Development Finance Limited (MIDF).  
Malaysian Sipping and Engineering (Malaysia) Ltd. (MSE).  
Malaysian International Shipping Companies (MISC).  
Malayawata Steel Private Ltd.  
Malaysian Handicraft Development Corporation.  
Food Industries of Malaysia Private Ltd.. (FIMA).  
Federal Industries Development Authority (FIDA).

Many government agencies or public enterprises like the Council of trust for Indigenous Group (MARA), Urban Development Authority (UDA), the State Economic Development Corporations (SEDCs), Local Authorities, Regional Development Authority (RDA), and other agencies help and support the following activities:

1. Loan guarantee, contract guarantee.
2. Registration of Bumiputra contractors.
3. Joint-venture with locals and foreign.
4. Licensing.
5. Provide contract to Bumiputra contractors.

6. Training and development of Bumiputra entrepreneurs.
7. Promoting small industries and handicrafts.
8. Direct business participation by agencies.
9. Leasing and buying of business spaces and manufacturing sites.
10. Monitoring and coordinating of government projects in meeting the NEP objectives.
11. Industrial development.
12. Building and Construction.
13. Agro-based projects.

## **2.5 THE ROLE OF PUBLIC ENTERPRISES IN EMPLOYMENT, TRAINING AND DEVELOPMENT.**

The federal and the state government, through their business-oriented public enterprises, "aggressively" and directly participate in various commercial and industrial sectors in either form of fully-owned or joint-ventures with locals and internationals. Consequently, these public enterprises should be able to create employment, provide training and development, and organize affirmative programmes for the Bumiputra in particular. As it was in the past, the government attempts to develop Bumiputra commercial class had been limited to the provision of credits, training facilities and the allocation of licenses and tenders (Gale 1981: 29). Thus the effectiveness of public enterprises can be measured in terms of the level of employment, the implementation of government policies, efficiency in improved management systems, training and development programmes and effective utilisation of financial and human resources. Thus, it is inappropriate to measure the performance of public enterprises solely in terms of profits because they are also involved in promoting, supporting and initiating socio-economic activities to the community which do not generate revenue.



### 2.5.1 Bumiputra Employment in Public Enterprises

The government employment figure in 1990 shows that there are about 885,415 government employees of which 6524 are senior officers, 53,862 are officers, 50,453 are Technical Executives, 262,745 are clericals and 511,831 are industrial manual workers. Many would agree that, across the board, employment in the public sector, in public enterprises and in other government statutory bodies is dominated by Bumiputra, whereas, the Chinese dominate the private sector and professional occupations. In fact, it has been argued that Malay (Bumiputra) employment in public sector and agriculture greatly exceeds their overall demographic shares.

The basis for such ethnic segregation and ethnically based employment can also be inferred from various reports of several incidents faced by Bumiputra employees in the private sector and from studies of Malay attitudes towards employment. A study of the problems of creating a Malay business class was published not long ago in a local newspaper. An informal survey on "where Malay children were coming from" was conducted among Malaysian school children by a consultant in 1987 (The New Sunday Times, 28th August 1989: 13). It was discovered that Malay students prefer to be bureaucrats or to work in government bodies and in multi-national corporations. It was also found that working in the public sector is regarded as bestowing more respectability and dignity in Malay society. The opinion survey of Malay attitudes towards business also suggests that Malay businessmen are highly dependent on government supports and protections. Moreover, it has been reported that in terms of pay and benefit, according to the World Bank, the Malaysian government remuneration is, on average, about 25% higher than in the private sector (Jomo 1989). The Chinese are found to choose

government organisations as their last preference. They prefer to work in family businesses and in the professions as doctors, lawyers and accountants.

It has been reported that a survey of 7000 unemployed graduates in 1990 showed that unemployment among Malay graduates was 91.6 percent, compared with 5 percent for Chinese and 3 percent for Indians. Of those surveyed (unemployed), only 6.7 percent are graduates who are proficient in English, Malay language and Mandarin (see *The New Straits Times Weekly Overseas*, 20.1.90). Thus, the report may indicate more non-Malays were being employed in the many private companies, mainly dominated by Chinese. Other reports also revealed the extent of discrimination against Bumiputra employees in the workplace in the private sector. Personnel matters were highlighted such as promotions and increments being denied, the replacement of Malay executives with non-Malays, complaints of work pressure and other mistreatments, all these problems were lodged with the Prime Minister's department and the Public Service department (see *New Straits Times*, 10.4.1990). Public enterprises are therefore an alternative form of employment for Malay (Bumiputra).

In the case of eleven West Malaysia SEDCs, with the exception of Penang, a non-Malay dominated state, the other 10 SEDCs are in predominately Malay states. Thus an influx of Malays particularly into these 10 Malay-controlled government-owned corporations indicates the domination of Malays in these organizations. Thus, the role of these "Malay-owned" corporations as "patrons" and "trustees" of Bumiputras and as "umbrellas" to Bumiputra enterprises has evidently influenced the personnel policy and practices of recruitment, selection, training and development of Malays. In addition, the prerogative and the discretionary power of

the Chairman of the Board (Head of the State) and the requirement of the Public Service Department, are all evidence of excessive Malay employment.

## **2.6 CONTEXTUAL ASPECTS OF THE SEDCs**

In public enterprise organizations, the practice of effective personnel practices in recruiting, selecting, rewarding, attracting retaining skilled personnel, in training and developing potential managers and entrepreneurs must acknowledge broader political, cultural, legal and organizational concern. This final section of the chapter reviews certain contextual influences on the development of the SEDCs.

### **2.6.1 Malay Politics and Public Bureaucracy**

As mentioned earlier, the emergence and increasing number of Malay bureaucrats in the public sector, part of a more general Malay socio-cultural phenomenon, can be inferred as a result not of the latest implementation of the New Economic Policy but from the historical background of Malay politics, from the pre - British colonial period in the nineteenth century to the period of independence of Malaya in 1957. Such past political history may have significantly contributed to or influenced the existing system of power relationships, both formal and informal, as well as having consequences which helped determine the centralisation of decision making and direct ministerial control of public sector organisations like the SEDCs. The political setting of Malay society, in particular, which presumably resembles the general pattern of Malay bureaucracy, such as its power and authority structure, has been briefly described by Bruce Gale (1984).

Bruce Gale (1984), an Australian scholar who conducted a study of three Malaysian public enterprises, namely, PERNAS (National Corporation), MARA (Council of Trust for the Indigenous People) and UDA (Urban Development Corporation), suggested that the problems of public enterprises are often a reflection of the nature of society and the political system in which they operate. He also briefly described the historical background of Malay politics. In his book *Politics and Public Enterprise in Malaysia* Gale (1984) describes patrimonialism and political clientelism, which existed in the Malay political system before the British colonisation in the nineteenth century, as the acquisition of power and control through personal staff loyalty and patron-client relationships between the leader who has power and resources and the non-powerful and non-resourceful clients.

During the pre-colonial period, even though the Sultan (the Malay ruler) was the head of state, the local district chief administered each district without the military help of the Sultan. The administration of the district was carried out by the sons, brothers and other aristocratic kinsmen of the local chief. In addition, the local chief's ability to provide his followers (peasants) with economic assistance and protection in return for service and loyalty and his skill in preventing the emergence of rivals had made him the so-called patrimonial ruler. However, this decentralised power of the local chief (within the Malay community) had been shifted away from the local district chief to the Sultan by the influence of the British during the extension period of British colonial rule. Further changes in administrative structure took place in the early twentieth century. During that period, the Malayan Civil Service (MCS) - the British administrators who ruled Malaya - had grown and members of the Malay elite (English educated Malay aristocrats) were drawn into both the MCS and the MAS (Malayan Administrative Service), thus beginning a longstanding alliance between aristocrats and administrators within the Malay

community. In 1926, the Malay ruler was replaced by the Malay civil servants on the Federal Council, representing the "Malay interest". Thus, the emergence of Malay political leadership from the aristocratic English Malay civil servants through their political involvement while performing their civil servant duties had marked the development of a politically bureaucratic system - an overlapping of political and administrative functions. During the period leading up to Malayan independence in 1957, it was found that the Malay political leaders had complete confidence in the bureaucracy simply because of their close informal personal ties with many Malay administrators who were relatives and were formerly their friends and supporters during the pre-independence period.

In relation to patron-client relationships, two arguments have been highlighted by Roth and Scott (in Gale 1984: 6 & 11). Roth, for instance, has argued,

Personal rulership rather than modern legal-rational authority was the predominant factor of the Third World polities. The foremost task of these states is the political integration of greatly disparate elements - ethnic, tribal, religious, linguistic and even economic. The 'problem of empire' was fundamentally different from the 'nation-building' which had taken place in Europe since the latter had simply involved the integration of states with a common language and culture.

Scott further argued that patrimonial regimes which tend to survive the patron-client relationship are able to do so in conditions of:

- i. continuing inequalities of wealth, status and power which are regarded as legitimate.
- ii. uncertainty regarding personal security and the retention of wealth, status and position.
- iii. the inability of kinship ties to provide advancement and security.



Evidently, such personal ties foster a patron-client network of informal cliques of political leaders and civil servants which seems to highlight an important feature of Malaysian politics. The appointment of certain persons in key positions in the public enterprise sector is a reflection of such relationships. Moreover, patrimonialism - mutual obligation, personalism, paternalism and protection (Redding 1990: 155) may be possible barriers to effective personnel practices in public enterprise, particularly in selecting, promoting and rewarding individuals.

In the case of State Economic Development Corporations (SEDCs), the prevailing legal and organizational constraints such as the legal status, management structure, the power of the Chairman and the Board of Directors would suggest possible barriers to effective personnel management. These barriers will be discussed in detail in chapter 6.

## 2.6.2 Legal Status of the SEDCs

The State Economic Development Corporations (SEDCs) are one of the state agencies which are mostly involved in trading, manufacturing, agricultural business, construction and other physical development and related activities. The sources of SEDCs' finance are from the state government, borrowing and profit earning from the operations (Thillainathan 1976:64). Each state government controls its own SEDC established under the State Enactments (Raja Mohammed Affandi 1973: 45). The only general law which applied to state level corporations is the emergency (Essential powers) Ordinance No. 87 of 1971, which provides for federal participation in state corporations established by state law, for their access to federal resources and as elements of federal control over the corporations. It must, however, be noted that not all public enterprises are under the jurisdiction of Federal ministries. For example, the state companies which are set up by the SEDCs

are not placed under the Ministry of Trade and Commerce. In such a case, these companies have complete freedom to exercise their personnel policies regarding recruitment, selection, pay, promotion and training. Thus there is a variation in personnel practices among public enterprises, viz. departmental agencies, public corporations and state companies.

The Ministry of Public Enterprises, created in 1974, is entrusted with the responsibility of coordinating, monitoring and evaluating the performance of 13 SEDCs. There is also a federal committee, with the Implementation, Coordination, and Development Administration Unit (ICDAU) which serves as the secretariat to coordinates the activities of SEDCs and assists them in the provision of financial assistance at reasonable terms, provides expertise in marketing, project planning and evaluation, organises training programmes for SEDC officials and coordinates requests for foreign technical and material assistance. Another main aim of this federal committee is to draw out the process of channelling federal funds to SEDCs. Besides, the politicians, the state government or other federal government agencies often determine and dictate SEDCs' operation..

### **2.6.3 Management and Structure of the SEDCs**

Each State Economic Development Corporation (SEDC) has a Board of Directors, comprising a Chairman, a Deputy Chairman, ex-officio members and ordinary members. The Chairman is usually the Chief Minister (Menteri Besar) of the state and the State Secretary is the Deputy Chairman. The number of ex-officio members on the Board varies between states. They are appointed from among those who hold the office of State Secretary, State Legal officer, State financial officer and State Commissioner of land and Mines. The number of ordinary members in



the Board varies between 5 to 9, depending on each individual SEDC. Every member of the Board, other than the ex-officio members, holds the office for a term of three years, and they may be reappointed upon expiry of their term of office.

The Chief Minister of the state, who is also the Chairman of the Board, can exercise considerable influence over the running of the SEDC. Thus the Board is likely to be a very strong one in influencing and executing the day-to-day management and policies of the SEDC (Truong 1976: 66-67). The Chief Minister has the power to appoint and dismiss members of the Board and top-level personnel, as well as to direct and approve the decisions of the Board. It also appears that the Minister appoints a senior civil servant to its Board, as a ministerial representative, who has the power to give orders to the enterprises on the Minister's behalf. For instance, there have been occasions where the chief Minister, as Chairman of the Board, made decisions on projects and programmes without referring to the Board. In some cases, he has little consultation with the management, and was reluctant to comply with the ministry's instructions, suggestions and imposed conditions pertaining to matters, such as hiring of experienced managers and the submission of feasibility study of projects to be undertaken (Truong 1976: 115-116). Thus, the degree of political interference and the excessive power of the Chairman and the Board appear to shape personnel management practices of the SEDCs.

## 2.7 CONCLUSION AND SUMMARY

The imbalanced distribution of wealth including equity ownership and employment among races, particularly between the indigenous Malay and the Chinese in particular led to the formulation of the New Economic Policy in the Second Malaysia Plan of 1971 -1975, not long after the racial disturbance of 1969.

Thus, the nature of political linkages between the structure of the society and its economic development provide the ground for the growth in the public enterprise sector. The country's political and cultural settings during the colonial period have placed the public sector under the domination of Malays. Business-oriented public enterprise organisations, in particular, are needed to take responsibility in the socio-economic development of the country because as many people would agree, private enterprises may lack the necessary political will required for achieving government's objectives of balanced distribution of wealth and employment and the elimination of the identification of race with economic function and geographical location.

For various economic, social and political reasons, public enterprises have to considerably achieve their objectives such as organizational growth, increased employment, training and development of Bumiputra managers and entrepreneurs. These objectives should have facilitated effective personnel management practices and would suggest a very significant role for personnel managers. This research project was designed to examine such assumptions. Before outlining the methodology and research findings, the following chapter 3 reviews the literature on personnel management. Chapter 4 discusses the research design and methodology.

## CHAPTER 3

### REVIEWING THE LITERATURE : The Theory and Practice of Personnel Management.

#### 3.0 INTRODUCTION

This chapter reviews some of the literature on personnel management. It identifies certain key practices and briefly describes how, ideally, they should be conducted. It therefore examines the theory and practices personnel management. Furthermore, it then attempts to highlight some of the organizational problems to personnel management and the negative consequences of the absence of these personnel practices that have been identified in the literature. It attempts to highlight some of the particular issues regarding personnel management in the public sector. Numerous findings and arguments suggest that there are economic, political and organizational factors that are specific to public sector organizations which operate as barriers to effective personnel management.

Having discussed the nature and theory of personnel management, the chapter then considers the key practices associated with the function, the importance of their structured and systematic implementation and the barriers that might exist to their effective enactment. Each section begins by asking the question, what would good personnel practices actually look like, according to the literature? This is supplemented by a more critical appraisal of what actually happens in practice. Indeed this discussion reflects the two distinct sets of literature in personnel management; the majority of texts which are primarily prescriptive and a smaller but growing number that are more critical and questioning (Collinson 1991).

## SECTION A : PERSONNEL MANAGEMENT IN THEORY

Personnel management is sometimes used as a synonym of human resource management (Storey 1992: 23-24). For instance, personnel management refers to the philosophy, policies, procedures and practices related to the management of people within the organisation (French 1986: 6). It covers planning, recruitment and selection, appraisal, training and development, payment or compensation, discipline, employee participation and involvement and organisation design (Sisson 1989: 3). Others define it in a more specific sense to differentiate or distinguish strategic human resource management or human resource management from personnel management (Hendry & Pettigrew 1986: 3-8; Thomason 1991; Storey: 1992:27; 35; Torrington & Hall 1987).

Hendry and Pettigrew, for example, suggest that although the concepts of strategic human resource and the philosophy of human resource management are not mutually exclusive, they have different connotations. The term strategic has at least four meanings, each of which can inform personnel management in some way: the use of planning; a coherent approach to the design and management of personnel systems based on employment policy and manpower strategy, and often underpinned by a "philosophy"; matching human resource activities and policies to some explicit business strategy; and seeing the people of the organisation as a "strategic resource" for achieving its competitive advantage. The latter suggests that people are a valued resource and as an investment for organisation's future growth. Human resource activities of planning and employment policies related to recruitment, appraisal, reward and development are ought to be used in a more integrated and strategic way and with the interaction of specialist personnel managers, senior managers and line managers to deal with broad ranges of personnel issues such as organisational design, employee commitment, employee involvement, corporate culture, total quality

management, teamwork, value, mission and harmonisation (Clark, 1993; Storey 1992: 35). Human resource management is a stronger version than personnel management. (Guest, in Storey 1992: 26). According to Guest, human resource management can best be characterised as a set of interdependent personnel policies to maximize four objectives, i.e. organisational integration, employee commitment, flexibility and quality. These four objectives, both separately and as a package, are in implicit contrast with an equally ideal -typical of the "reality" of personnel management in more traditional organisations (Guest, in Clark 1993).

The following discussion through this thesis focuses on personnel management activities and the significance of each of these. The term "personnel management" is used to relate to the specific personnel management directed mainly at the management of subordinates and non-managerial employees and the implementation of personnel policies and procedures by the personnel managers or the personnel department (see Torrington & Hall 1987:14; Legge, in Storey 1992: 31).

### **3.1 THE ROLE OF THE PERSONNEL DEPARTMENT**

The management and organisation literature consistently highlights the importance of personnel management. Miller (1987: 347-361) suggests that personnel policies are important mechanisms that must be considered in the management of large, complex and diversified organisations. The formulation and the implementation of personnel policies can be undertaken by either by the chief executive, the top level committee or by the personnel department. These policies provide guidelines for decision making in matters relating to recruitment, selection, training, pay and incentives, appraisal and promotion. The formulation and implementation of personnel policies can be undertaken either by the personnel department, the chief executive or by the top level committee. Organizations, in which there are unions and employees are of strategic

importance, require a well-developed and formalised personnel department for an employee-centred employment strategy. This personnel department can be a powerful and influential department when it is autonomous, is centrally important to the organization in coping with important uncertainties and is not dependent or substituted by other subunits (Hickson, in Watson 1987: 198).

In most organisations, the personnel department is concerned primarily with personnel functions of recruiting, placement, training, compensation and maintenance and the personnel records. The role and responsibility of personnel managers have become more critical and challenging ever since the emergence of a management philosophy and belief in people as the critical factor in successfully managing cultural changes for organisational survival (Storey 1989: 2). It has been suggested that in order to establish and maintain a healthy, high performing personnel department, the personnel management system must be operated as a mutually supportive system. It cannot ignore the intrinsic interrelationship among personnel activities of manpower planning, job analysis, organisation entry (recruitment and selection), training and development, performance appraisal, and reward system (Levering et al. 1985: 7). Above all, the personnel department cannot be effective on a fragmented basis (Fitz-enz, J. 1987: 3, 23).

### **3.1.1 Manpower Planning**

Manpower planning aims to maintain and improve the ability of the organisation to achieve corporate objectives, through the development of strategies designed to enhance the contribution of manpower at all times in a foreseeable future (Stainer 1971: 3). The manpower planning activities include forecasting of manpower demand and supply, analysis of current manpower and consideration of changes in manpower utilisation. In this manpower planning activities, it has been suggested that behavioural aspects are also



important. These include investigating the reasons why staff leave and criteria that affect promotion and transfer because individual occupational choices are influenced by a combination of psychological, sociological and economic factors (Timperley 1964, 1980).

The conventional personnel literature usually suggests that organisational planning, including budgeting should be tied to human resource planning and then this should be realised and recognised by the management of both private and public organisations. Manpower planning provides profiles of employees and projects future needs as well as conditions regarding that population. As employees of an organisation come in all sizes, ages, sexes, races, levels of education and experiences, it has been suggested that manpower planning should do distribution studies which correlate different variables, such as age profile versus turnover or performance. It can also look at the hiring, promotion and development patterns of identifiable employee groups such as middle manager positions (Fitz-enz, J. 1987: 49). For example, it has been recommended that the number of subordinates who should report to each manager be between three to six when considering manager's spans of attention, memory, energy and other limited capacities available to managers (Child 1988: 65-66).

Also it has been argued that manpower planning becomes properly strategic only when it includes monitoring of environmental trends and the modelling of alternative scenarios. It is only when the implications of this kind of monitoring for work-force characteristics are fed into the business planning process on a continuing and long - term basis that manpower planning begins to influence business planning rather than simply a reaction to business decisions (see Hendry & Pettigrew 1986: 4). Thus, there should be a reasonable starting point for projecting the organisation's supply of its current supply of labour. Current and future organisational plans, assessed skills and management



inventories (personnel inventory) provide the main inputs to the personnel planning systems. Meaningful forecasting can be done by each department to determine potential shortages, surpluses, the numbers of promotable blocks in a particular job family, and the annual training and development effort required to maintain the back-up strength.

It is important to examine human resources in the appraisal and in the situational analysis. By examining both the internal and external environment, the planners can determine the strengths and weaknesses of the current personnel management in respect to management inventory, compensation and reward systems, personnel policies and operating procedures, and the organisation structure. In addition, the monitoring of the results of the strategies and action plans related to human resource objectives must be included in the regularly scheduled review process. Although different organisations with different objectives, activities and in different situations may require different approaches, they must write down certain assumptions related to their own individuality to make human resource planning valid.

### **3.1.2 Recruitment and Selection**

A formal organisation has a life span which normally exceeds the tenure of its members, arrangements must therefore be made for the periodic replacement of personnel (Sofer 1972, in Blunt 1983: 1). A central part of the personnel manager's role is the administration of recruitment procedures. Recruitment and Selection, according to Etzioni (1975: 259), is an important determinant of effectiveness. Recent developments in employee selection and appraisal have also shown greater awareness and emphasis on both task-based and peripheral elements such as employee job knowledge, dependability, loyalty, flexibility in the work place and determination. At the same time, employers begin to treat recruitment and retention as a priority issue for

example attitude and behavioural tests are being used in the selection process to assess attitudinal and behavioural characteristics. Psychometric, personality and attitude testings and the use of assessment centre are examples (Storey 1989: 97; Storey 1992: 98).

The importance of the selection process is demonstrated by the time and money spent, and number of people involved. It has been suggested that recruitment methods can be either inexpensive or expensive. For example, referrals from other employees, help wanted signs, walk-in, job posting and public employment service are inexpensive methods. On the other hand, monetary incentives for referral from current employees, private employment agencies and newspaper advertising are expensive methods (Snell & Dean 1992: 480).

In many organisations, the urge to seek candidates from outside the organisation is more prevalent for higher-level openings than it is for lower level ones. Hence, some or in many cases all of those below a given opening might be qualified and interested in filling the spot. The planning system is responsible for sorting through the stockpile of available individuals and presenting those which most closely match the requirements of the position. The planning system should be designed so that they can differentiate candidates in terms of values, aptitudes and creative abilities and not just provide bodies.

The refusal of public enterprise executives to accept responsibility or to make decisions when they have the legal power to do so is one of the reasons why the government tends to increase its control over public enterprises (Sadique 1976: 37). Thus the question of whether public enterprise managers are risk neutrals, risk takers or risk averters is worthy of study and analysis especially in public enterprises. The multiple roles of public enterprises, i.e.

commercial and socio-economic development, makes performance appraisal of public enterprise managers hard to evaluate compared to those managers in private sector who are forced to take risks to achieve profits. This condition prevailed in public enterprises may attract individuals who are seeking for job security even though upward mobility is limited. Thus, it has been suggested that more systematic selection initiatives have to be launched in order to avoid recruiting and selecting the underperformers (Storey 1992: 100).

The selection function can be measured with the four basic indices: cost, time, quality and quantity. The cost of recruiting and selection is quite high, whether measured in total or on a per employee basis (Fitz-enz 1987). Acquisition has a wider range of effects on the organisation than is generally realised. The cost effectiveness of any given recruit does not stop when the offer is accepted. In fact, it can be traced all the way through the new employee's career until the day that person leaves the company. The issue of turnover cost really starts with selection. If an organisation employs "reverse selectivity" (Etzioni 1975: 260), a method of discharging unwanted employees after recruitment, the cost of retraining and other investment of new recruits must be calculated. Foremost, among these indirect costs may be the damage to the reputation of the organisation created by the rejectees. Thus the employee selection process must be seriously carried out.

### 3.1.3 Payment

One aspect of overall personnel management presumably to have a profound impact on organisational functioning is compensation (wages, salaries, incentives and benefits) or payment (Williams & Dreher 1992: 572). Payment includes basic pay, plussage (special payment to recognise employee capability, responsibilities, working conditions, etc.), benefits (welfare provisions), premia (shift allowance), overtime, incentives (commissions) and bonus (gratuitous

payment) which employees, especially of the lower level, use to compare their financial worthiness (value to the organisation) and fairness in payment (for the job done) with those of others (relatively doing the same job) in different organisations in a similar or different industry (see Torrington & Hall 1987: 492-495). Payment should be aligned with particular market circumstances based on geography and occupation or from the differential competitive performance of the separated units (Storey 1992: 109).

Since firms invest in employees but do not actually own their human capital, they must devise methods of payment for ensuring that individuals act in the firm's interest. It has shown that employees' perception of equity (equitable reward) affect their decision to join, remain and produce for a firm (Snell & Dean 1992: 475). Classical management theories argued that high employee satisfaction causes high performance, a finding which is no longer supported by modern theory and research. It has been argued that under contingent reward conditions, high performance causes high job satisfaction which is reinforced by rewards (Lawler & Porter, in Katz 1968: 263).

Studies of motivation and reward systems suggest the effect of intrinsic rewards and financial rewards on the behaviour of employees. It has been suggested that not all employees regard the presence of challenging jobs as a reward. There are some employees who treat their jobs as money-earning devices. Thus the management must appeal to the variety of needs of various employees. A useful merit system not only ties money to performance but also share enough information about salary and wages so that expectancy and equity is transparent (see Lawler 1981). Adam's equity theory postulates that individuals determine equity by comparing their inputs (contributions) and outcomes (financial compensation) with inputs and outcomes of comparable persons. According to Adam's equity theory, low outcomes will attempt to decrease

productivity under hourly or monthly payment and increase productivity under pay rate payment (see Katz et. al. 1980: 224-226). Vroom's expectancy theory postulates that individuals will exert high performance on their job if it is expected that increased effort will lead to increased performance, and that increased performance will lead to the attainment of highly valued rewards by the individual (Vroom 1964, in Elizur 1980: 17-19).

It was ideally suggested that there should be several different salary grades, remuneration and status within a given hierarchical level for individual career progression in the organisation. The job evaluation process which is based on job requirements and demand is considered a systematic approach used to compare and determine the relative values of the different jobs within and between occupational groups. Since no statistical scale could be obtained by applying all the job evaluation items as listed by the Public Committee for Job Evaluation (Elizur 1980 : 49- 50) it has been suggested that some of the lists could be served as a basis for ordering the job. For instance, pay should be associated with employee characteristics, job characteristics and cognitive ability. Elliot Jacques (1976) who conducted studies in industry and the public service suggests that about three times as many pay and status grades should be provided as levels in the hierarchy of work, i.e. authority and responsibility.

The importance of pay and rewards associated with the complexity of job, skill required and responsibility (work strategy) seems to be recognised (Lawler 1971, 1973) as an instrument to motivate employees to join, remain and perform (March & Simon 1958) suggests that an increase in financial performance should be associated with a higher ratio of bonus to base pay, and perceived inequity and low pay satisfaction are associated with employees leaving job voluntarily (see Katz 1968: 226). Shapiro and Stiglitz s' efficiency -wage theory suggests that



high pay reduces shirking and permits stringent hiring standards (see Gerhart & Milkovich 1990: 664).

Gerhart and Milkovich (1990: 663-668) examined the extent of compensation strategy in organisations. It was found that organisations tend to make different decisions about pay contingent (bonus and incentive pay) rather than about the base pay. The findings are supported by Agency theory which predicts greater use of contingent compensation at high levels when jobs are less programmable or where it is more difficult to specify desired behaviour. As it has been suggested, a high capital investment in the form of education and training are likely to be associated with low programmability and higher potential impact on performance, and therefore positively associated with the use of contingent pay. Agency theory also assumes that interests of principal and agent are not ordinarily the same (Gerhart & Milkovich 1990: 661, 667). It has been presumed that owners are seeking high profits, whereas, managers are in favour of growth and size which associate with compensation, power, prestige and stability. It has been argued that in larger enterprises managers were not really responsible to the owners of the firm because the owners were so small and so diffuse (dispersed and diverse share ownership) that they could not effectively control the firm in their interests any longer (see Pfeffer 1982: 125). Thus, it has been suggested that one way of ensuring goal congruence and homogeneity with the organisation is to use financial incentives.

### **3.1.4 Performance Appraisal and Promotion**

Performance appraisal is typically seen as having two purposes: administration comprising of such actions as determining job assignments, raises, promotion and termination; and development consisting of providing feedback, coaching and identifying training needs (Snell & Dean 1992: 474). In the case of administrative purpose, salary and other fringe benefits and incentives

alone are not the only significant reinforcer in motivating and modifying employee behaviour. For example, many rank- and- file employees who have been in the organisation a long time receive more pay than those newly qualified managers. Productivity bonuses, Scanlon plan, piece rate wages, overtime pay and specialist allowances constitute the total gross income of incumbents. Furthermore, salary is not even necessarily a good indicator of income since compensation schemes often given employees increasing proportions of their salary in nonsalary forms when they are promoted i.e. other fringe benefits. In this respect, promotion is a better motivational mechanism than pay because it provides a status and egoistic symbol to the individual (Rosenbaum 1984 : 70).

Promotion or social (career) mobility in the organisation is one of the important motivational factors that is associated with employee morale and job satisfaction. It offers both financial reward and status to those who are being promoted and stimulates the employee motivation to work. Promotion is therefore an important control mechanism. It has been suggest that one's chance of receiving a promotion, is likely to have far reaching effects on one's career aspiration, job interest and leadership styles (Rosenbaum 1984: 68). Weber's theory of bureaucracy also suggests that promotion opportunities within the organisation would build loyalty to the organisation and a willingness to comply with the rules and procedures (Pfeffer 1982: 130). A study on job dissatisfaction among Korean public sector employees illustrates a major implication of job dissatisfaction for political development and democratisation in Korea. The findings have shown that low prospect of obtaining promotion and unfair promotional practices were among significant factors of job dissatisfaction. The results also indicated that dissatisfied workers were more likely to share certain common, negative opinions about public employees and they tend not to support the political parties in the 1988 elections and they have negative views with regard to the major accomplishments of the government and the public



response to the activities of their agencies. Considering the crucial role of public employees must play in shaping the context of any developmental efforts, it has been suggested that the government should initiate some major changes in organisation and development (Ahn 1987).

### 3.1.5 Training and Development

It is possible that training opportunities or the possibility of rapid advancement might attract an individual to an organisation rather than (or in addition to) an attractive compensation package. Thus the developmental appraisal, although vary with pay level, can be measured in terms of its use for developing employees as exemplified by diagnosing training needs, frequent feedback, problem solving and discussing future issues. The comprehensiveness of training and development can be measured in terms of frequency and variety of training and development, money spent and the percentage of employees trained (Williams & Dreher 1992: 577; Snell & Dean 1992: 480).

It has been suggested that training courses must be integrated with the career development of the individuals concerned and not only given as a reward for good work done elsewhere or as a means of getting rid of unacceptable persons who for some reasons cannot be dismissed. The use of the succession plan should not also be limited only to senior management. The succession planning is one of the responsibilities of the division managers and the heads of departments. The process for developing such plan may include the setting of a planning horizon, identifying replacement candidates for each key position, assessing current performance and readiness for promotion.

Many studies about managerial behaviour (Mintzberg 1975; Potter 1982) found that managers operate in a work setting characterised by fragmentation,

brevity, concentration on live media and dependence on others for initiating contacts. In addition, managers should also be analytical, self-disciplined and capable of perceiving differences, have high achievement drive and be able to solve unstructured situations and decisions. Thus, as part of the training, it may be possible to utilise psychological persuasion to inculcate in these people a commitment to achieve organizational objectives, as well as social and political objectives of the country (Sadique 1976: 51). In such a case, there is a need to address on corporate culture which serves as a behavioural control, instilling norms and values that result "the way things are done around here". One of the methods by which this is accomplished is by extensive socialisation through training and personal interaction.

In general, it can be said that there are two types of training : technical and managerial. Technical skills and knowledge training seem to be designed to improve the level of competency in performing the job. This type of training programme typically focuses on company practices, products and services and is primarily used to promote the learning of specific, factual and narrow content skills. The latter specifically focuses on improving the managerial skills and changing established beliefs, values and attitude of managers which could hinder achievement of departmental and organisational goals in the changing work demand.

Nevertheless, there is a basis for training need in any organisation. The theories of learning suggests that training need is based on three principles: behavioural, social learning and cognitive. Behavioural theory, like reinforcement theory, holds that reinforced or conditioned behaviour is repeated or strengthened through reinforcement or learning the correct response. It means that the response can either be repeated or be dropped. The social learning theory , according to Bandura (1963) and the expectancy theory (Vroom 1964) hold that almost any learning outcome results from direct experience and

observation of others' behaviour, as consequences of the behaviour and the value of the desired outcome (see Torrington and Hall 1987: 372). The cognitive theory of individual belief, knowledge and expectation (Bower and Hilgard 1975, in Torrington & Hall 1987) suggests that learning is affected by various factors, such as trainees' cultural and subcultural experiences, the meaningfulness of training requirement, the training situation and the level of feeling of success in acquiring the learning demanded. These three learning theories suggest that training principles should be employed in order to reinforce the conditioned behaviour, reduce resistance to training and to restore a belief that training is meaningful and produces desired consequences. Thus, it is important that organisations evaluate employee training-related motivation and the effectiveness of their training efforts.

It has been suggested that developing a better understanding of participants training - related motivation would provide useful insights into a neglected area related to training effectiveness (Mathieu et al. 1992: 828). The individual and situational influences on training motivation suggested that the trainees' career planning, employee job involvement, individual choices on training programmes and work environment would likely influence training motivation. This is to say that employees who perceive training to be highly instrumental for obtaining valued career opportunity and who are highly involved in their jobs and value work-related outcomes that follow from doing well in training are more likely to realize the potential benefits of training. The employees who have a high degree of choice concerning whether to attend or not a training programme demonstrate greater satisfaction with training programmes, high motivation to learn, more positive reactions, and better performance on achievement test than those who have little choice. The employees who confront with work environment constraints such as lack of materials and supplies and lack of information become frustrated because they

cannot translate work motivation into high performance. Thus employees believe that learning new skills will not be instrumental in gaining valued outcomes, because their job performance is constrained, they will not be motivated to perform well in training. The effectiveness of the training programme can be evaluated on the basis of trainees' reaction to a training programme and its content, trainees' acquisition of knowledge and skills, behaviour or changes in the extent to which trainees can execute desired training-related behaviour and results or the extent to which trainees' job behaviours change and result in increased organisational effectiveness (Noe & Schmitt 1986; Clark 1990; Hicks & Klimoski 1987; Peter et al. 1985; Phillips & Freedman 1984; Kirkpatrick 1976, in Mathieu et al. 1992 : 828-833).

The employment practices were found to be the outcome of managerial choices or subculture (Jenkins & Parker 1987: 65) which are influenced by the micropolitical and value preferences of the dominant management constituencies (Watson 1987: 248) and by a community of agreement between line managers and personnel specialists. The degree of interdependence of the organisation also affects the personnel decisions. Larger autonomous organizations were found to have less formalization than larger dependent organizations (Clegg and Redding 1990: 13) and the decision making was relatively centralised in the organisation with functional forms (Mintzberg and Kotter in Donaldson 1985: 160). The following discussions highlight some of these problems to their implementation found in recent research.

## **SECTION B : PERSONNEL MANAGEMENT IN PRACTICE**

Although the importance of employee morale and commitment is increasingly recognized by managers, there is also growing evidence in the literature that there are barriers to the effective implementation of personnel practices. These include the lower status of personnel department and the

distribution of power and the ability and motivation to use power and organisational politics have direct bearing on the way the technical aspects of the personnel function are played out in the organisation. In other words, the role allocated to the personnel function is influenced by power and the political action of actors (Frost, 1987). The first problem of effective personnel practices, therefore, is the organizational status of the personnel department.

### 3.2. THE LOWER STATUS OF PERSONNEL DEPARTMENT

Traditionally, the personnel department was viewed as a personnel record keeping unit concerned with personnel records for their own sake (Torrington & Hall 1987). Personnel work has often been criticized for being practiced in a fragmented fashion where staffing groups focus on the job of providing qualified recruits, compensation and benefits as well as striving to maintain the pay structure and benefits for all employees and training for new knowledge and skills. Each group seems to disregard the work of others, and there is seldom any evidence of collective activities (Fitz-enz 1987: 23).

The role and the significant contribution of effective personnel practices have not been widely recognized by top-level management. Personnel work has been deemphasized by senior and line managers who define effectiveness largely in terms of immediate and short-term profits (Collinson et al. 1990: 76). It has also been found that personnel decisions can be completely subordinated to financial planning and control rather than part of it (Oliver & Lowe 1991: 22). It has been suggested the personnel specialists cannot be strategically important if they cannot influence the dominant management in an organisation. The power and influence of the personnel function is partly related to the status of the occupational groups within the organization. For example, the role of the personnel specialists was found to be minimal when an employer perceived



employees as non-problematic, i.e. cheap, unambitious, female, non-unionized, non-skilled and plentiful in supply (Watson 1987: 248-250). The denial of information and support unable the personnel function to demonstrate expertise, credibility and success (Collinson et. al. 1990: 77). For example, one difficulty which personnel staff consistently complain about is their inability to get their hands on the recruitment and selection cost data (Fitz-enz 1987). In some organisations, these expenditure bills are sent directly to the top level executives for approval and to the accounts payable for payment, by-passing the personnel office completely. When there is a habitual pattern, a deal can only be made with the accounting department. Thus no personnel department can claim to operate efficiently if it does not know how much it has spent to hire people (Fitz-enz 1987).

As such the low status and subordination of personnel functions contribute to various negative consequences, such as ad hoc manpower policies and planning (Sisson 1989: 15), informalisation of selection (Collinson et al. 1990: 80) and balkanization the role of personnel role, i.e. closed departments with little promotion, self-contained and low level administrative routines (Tyson 1987: 530). For example, the study of human resource management in British computer firms showed that the personnel department was perceived to cause more problems to the organization. It was also found that senior managers showed hostility to the idea of having a personnel department. There was no personnel department and no personnel managers were present at board level. Consequently there was no systematic and formal personnel practices (Oliver & Lowe 1991: 19; 22-23). These included manpower planning, recruitment and selection, compensation and benefits, promotion and training and development. Each of these functions is now discussed.

### 3.2.1 Manpower Planning

It has been claimed that manpower planning has not been given much emphasis in an organisation for various economic reasons (Hendry and Pettigrew 1986: 4). For instance, it has been found that organisations in an unstable market environment and with short time scales for the development of products and high skill levels were less committed to elaborate planning processes. As such, manpower planning is simply based on a business plan rather than being based on the philosophy or ideology of the organization and the competitive advantage of such planning. Manpower planning is often not strategically done at the corporate level but rather a reaction to organisation's performance and economic activity (Hendry & Pettigrew 1986: 4). The manpower planning becomes nothing more than a numbers exercise. The negative consequence of personnel mismatch, for instance, is that it produces a range of dysfunctional behaviours in the organisation system which can lead to low economic performance. Consequently, it creates pressure to reorganise (Tyson 1987: 523-532).

### 3.2.2 Recruitment and Selection

Moreover, the autonomy and the significant power and authority of top executives and line managers, and the routine and low status of the selection process found to be the responsibility of junior female personnel managers have made the selection process more informalised, inconsistent, inefficient and discriminatory (Collinson et al. 1990: 77). At the same time, informal recruitment channels (word of mouth) is an increasingly pervasive and preferred source, particularly in conditions of high unemployment (Collinson 1988: 7-9). Such informalisation to selection and a new approach to individualistic appraisal system which emphasizes attitudinal and behavioural characteristics were found



to be caused by factors such the organizational size, the complex system of internal control and the "discontinuity of task" between superior and subordinates. The current selection process has given emphasis to candidates' "flexibility" and "acceptability" or "compatibility" rather than on "suitability". The increasing emphasis on individualism or the individual's "whole personality" in the job reflects the selection process as a process of discrimination which increases the opportunity for management to emphasize employee "acceptability" rather than employee "suitability" in the organisation (Storey 1989: 101,105). Also, Jenkins (1986: 63-66) found a similar emphasis. The recruiters were most interested in the candidate's ability to fit in with and conform to organisational requirement (acceptability) rather than the technical and educational qualifications, i.e. suitability (see Collinson 1988: 7-9). In addition, management's direct discrimination, routine informalised recruitment process and preferred recruitment channels were some of the barriers to efficient and fair selection.

A recent study of the selection process in private sector organisations across five industries in the north-west of England (Collinson 1987) revealed the extent of power, distance and role conflict between the personnel and line managers in the formalisation of selection process. It was found that the line-staff relationship at local level and the factor of geographical distance at corporate level have limited personnel managers' attempts to formalize the selection process. These line manager (Collinson et al. 1991: 58) who do not have necessary personnel training and do not adhere to prescribed professional principles and practices of the personnel management often contribute to highly vague and informal selection criteria. In the absence of formalized selection, it was found that managers' selection practices were often inconsistent, inefficient and unlawful (Collinson et al. 1990: 80).

The effects of culture on personnel selection practices has also been highlighted. The study of overseas Chinese beliefs, values and management styles of Chinese family businesses as well as Chinese organizations more generally were examined by Redding (1990: 162; 170). He found that there was a suspicion that professionals such as the personnel specialist or financial analyst can bring a possible challenge to managerial authority and can undermine the power of relationship and patronage. Subsequently, there was an apparent reluctance to build up the "staff" side as opposed to the "line". Although performance appraisal and recruitment were highly accorded and received extensive management attention, sophisticated personnel selection and development were given lower priority. In Britain, shortage of skilled labour forces employers to treat recruitment and retention as a priority issue. More sophisticated and systematic testings were designed and used to assess behavioural and attitudinal characteristics of candidates (Storey 1992: 97-100).

### 3.2.3 Payment

Theoretically, a wage policy is based on job classifications and job specifications. This comparison, which is based on job ranking within an occupational group, is much simpler than the comparison of job rank between occupational groups. In addition to job analysis and job evaluation, the basic wage and fringe benefits, the number of pay levels, the wage differences and the number of steps between the grades (Elizur 1980: 6-7) need to be addressed. Such prescribed personnel management practices should not ignore the organizational and legal constraints in which organizations operate. For instance, it has been realised that the wage determination is regarded as a social problem rather than an economic problem. The wage determination which is not only based on job evaluation, but also empirically based on an economic theory of supply and demand of labour (Elizur 1980: 7). The considerably new and small organizations cannot afford to provide a range of incentives and offer relatively higher pay to their personnel

compared to larger and more profitable organisations. Large firms were found to have both higher ability to pay and greater need for higher quality employees as opposed to smaller firms. Managerial and technical jobs that require highly academic, professional and skilled personnel are usually paid more than the less skilled jobs, especially by large firms with high sales volume and large numbers of employees. It has been argued that these larger firms have more slack resources which enable them to pay higher base pay to high quality employees compared to smaller firms (Gerhart and Milkovich 1990: 667).

### **3.2.4 Performance Appraisal and Promotion**

It has been noted that there seems to be a widespread feeling that existing procedures for performance appraisal are insufficiently developed to provide adequate employee motivation. All too often, it is carried out in a cursory fashion. In recent years management theories have downgraded traditional versions of performance appraisal as backward, simplistic and counterproductive because of the technical problems of objectivity, equity, uniformity of application and adequacy of discrimination. Other critics of performance appraisal have also argued that as employees seek to avoid evaluation, so do supervisors seek to avoid the task of evaluation. It has been argued that managers ought to be "beware" of performance appraisal, that they must be overconcerned with the pitfalls of the appraisal process and that they must be ready to deal with the many problem situations which inevitably arise in performance evaluation. In the light of these warnings, it would hardly be surprising to find little support for performance appraisal among supervisors and managers in the public service (Lovrich et. al. 1980: 219). Thus a reform in the area of performance appraisal is important because employees who do their job well may welcome the opportunity to be judged on the basis of their performance. The idea of periodic evaluation of employee performance needs to be supported (Lovrich et.

al. 1980; 215). In the case of British firms, it was found that there was a concern to drive partially away from collective pay agreements to some variations based on individual performance (Storey 1992: 108).

It has been suggested that when promotions, once due, are not given to those who seem fit for the new challenging and more responsible jobs and when there are a number of unclear promotion criteria in respects to personality, performance appraisals, age and education, then the administration of promotions and rewards will not only fail to encourage performance increment, it may also influence dissatisfaction among highest producing employees (Katz et al. 1980: 263). A few empirical studies of promotions in organisations had shown the relationship between age and promotion. In the studies of promotions by Chinoy (1955) and Martin and Strauss (1959). Chinoy's study of automobile workers, for instance, discovered that promotions to foreman were not made after the age of 35. Martin and Strauss noted that promotions to middle managers through the foreman ranks occurred, on the average, prior to the age of 35, otherwise workers remain in lower-management positions (see Rosenbaum 1984: 70). Such promotional practices reflect differences in promotion policies (norms) among organizations.

The organizational size and structure can also constitute to promotion practices. It can be evidently argued that only larger organizations have the capacity to promote. Larger organizations were found to be associated with formalisation, specialization and more decentralisation (Pugh & Hickson 1976) possess a tall and broad structure. Thus larger organizations with tall hierarchical structure tend to be more bureaucratic in nature. It has been suggested that a certain degree of bureaucracy or a structured organisation is required when the organisation becomes bigger and grows in its size, and that failure to develop more specialised and formalized administration leads to reduce effectiveness

(Child 1975, in Donaldson 1985: 157). As organizations diversified their operations, it is appropriate for the organisations to set up the area division when they have extended their diversification into new geographic areas with different culture, consumer taste and regulations. This is because the creation of a self-sufficient area division is more economical and efficient (Donaldson 1985: 160, 163). As a consequence, increased division of labour (more subunits) and decreased centralisation will require more supporting (administrative) staff for coordination purposes.

The main disadvantage of employees working in an organisation with a very flat structure is the limited career upward mobility within the organisation hierarchy which may subsequently have a significant impact on employee morale and job satisfaction. Such potential problems in career development have been identified. Child (1988: 61) has identified that employees who are given access to a career ladder (and many of course are not) can experience some degree of advancement up the many small steps of a tall hierarchical ladder, perhaps at fairly frequent intervals, whereas those in a flat structure are likely to be stuck at the same level for many years and advance up very few step.

### 3.2.5 Training and Development

In practice, the degrees of attention to training policies tend to vary according to the level of management concern for employee development, the owner - manager situation and the management effort to attract, retain and utilise high - level manpower (Negandhi and Prasad 1971: 185-187). For instance, it was found that in many developing countries the general managers or the chairman tend to exercise their power and authority over the operations of the corporations. The reasons given for such centralised decision making are because of the owner-manager position in which authority resides in chief executives rather than spread throughout a managerial structure, and of the psychological



make-up of the people who are 'authority-dependent' (Negandhi 1975: 97). Government demands and compliances also constrain certain organisations which are dependent on government's resources such as financial supports and other supplies for organizational survival (Pfeffer 1982: 179; 195).

The training programmes are often programme - driven rather than objective-driven and there is a lack of manager's interest toward training because of the difficulty of measuring the results the training produces. Often training is not based on routine assessment of individual training needs and is not frequently reviewed against the needs of the business (Hendry & Pettigrew 1986:5). Training was also affected by cultural factors such as management values and preference. The case of overseas Chinese management is an example. The management styles, management control, values and beliefs of overseas Chinese managers in Chinese family businesses in Hong Kong, the Philippines, Indonesia and Taiwan were examined by Redding (1990: 169, 170). It was found that "management control in personnel has tightened up the control of people rather than their development. Appraisals of performance is accorded high importance relatively, and recruitment is an area which also requires and gets extensive management attention. What one might see as the more sophisticated personnel functions of selection and development are clearly given lower priority. The impacts of paternalism, and the relatively low emphasis on professionalism, are also visible in the priorities assigned.

The appraisal process are used for various purposes: to improve current performance, provide feedback, increase motivation, identify training needs and individual potential, career development, reward and performance feedback (Torrington & Hall 1987: 404). A lack of appraisal system has affected training needs. Thus, it has been suggested that training programmes may not be effective or may suffer unless they have clear objectives and unless management

places a high value on training (Torrington & Hall 1987: 339). Training and development also suffer for various reasons. According to Sadique (1976: 43), there were management problems which could have affected the need for continuous training and development programme. These problems include an absence of qualified personnel managers, ill-defined performance criteria, a lack of motivation of managers toward training, the personality of chief executives and the extent of job security. In Britain, according to Sisson, training and development are crucial and those organisations which fail to train are in a position to regard their workforce as a cost. On the other hand, organisations which do train view their employees as an important resource and this carries the potential to structure positive attitudes across a broader front (See Storey 1992: 111-112).

The following discussions focus on issues of personnel management practices and problems found in public enterprises in many developing countries, in particular (Cloag 1946; Hanson 1965; Holland 1972; and Sadique 1976). Problems of effective personnel management and the negative consequences of the absence of personnel practices are highlighted. Although, in many cases, there were public enterprises which were probably far from efficient and there was publicly-held disrespect for and a negative image about the management of public enterprises (Kreitner 1986: 47-48), there were classical cases where public enterprises practised effective personnel practices.

### **3.3 PROBLEMS OF EFFECTIVE PERSONNEL PRACTICES IN THE PUBLIC ENTERPRISE SECTOR**

The "best practice" literature of personnel management tends to neglect the organizational, economic and political constraints facing the personnel department (Collinson 1991: 79). According to Sisson (1989: 36), the role of personnel manager differs from one organisation with another due to various



factors such as diversification, size, types of firm (public or private), and ownership (managerially owned or owner-owned). These two arguments may be relevant to public enterprise organizations.

### 3.3.1 Government Regulations and Legal Constraints

Public enterprise is a unique type of organisation and is different from any privately-owned organisation in terms of methods of incorporation, functions, sources of funds, administrative structure and the degree of management independence. For instance, public enterprises can be categorized in terms of: departmental enterprises managed like a government department; by statutory public corporations established under specific legislations and State Enactments, and by state companies established under Company Law, exactly as are other private enterprises (Sadique 1976: 13-17).

Public enterprise organisations are under the jurisdiction of federal ministries. These corporations and departmental agencies incorporated under an Act of Parliament may comply with the norm of government public service department or follow the norms of personnel practices in the civil service sector. For instance, personnel matters, especially concerning terms of service and scales of salaries for middle-level managers and general employees are usually referred to those of civil service. The appointment of government officials or representatives of interested parties on the board or to sit in committees has been criticized for the reason that it may hinder the pursuit of consistent managerial courses and may impede the development of corporate responsibility among members of the board or committees. For instance, it has been pointed out that in the case of Indian public enterprises, the domination of government officials has created an anarchy, such as overstaffing and employees' disobedience to work schedules (Dornstein 1988: 23, 37). Thus, the legal constraints and government controls limit the degree of freedom in

devising personnel policy among public enterprises. In contrast, public enterprises, including government companies incorporated under various Companies Act often have a complete freedom to exercise their own personnel policy and structure. Recruitment, selection, pay policy, promotion, training and development programmes may not be subjected or referred to the personnel policy of the civil service.

Hanson (1965: 85), for instance, provides four factors which hinder the formulation and implementation of personnel policy for a commercial concern in public enterprises:

- i. The prestige which is enjoyed by the civil service in many countries has led the trade unions and staff associations to demand that their conditions shall be as close as possible to civil service conditions. As such strategic personnel management practices are deemphasized.
- ii. The question of fairness and equity. Why should people in different parts of the public service have different conditions- after all, a public enterprise is only part of the public service. As a result, job security, pay structure performance appraisals are not tied to organizational performance
- iii. Very often the government, quite reasonably, wants to prevent competition taking place, for scarce personnel, between the different enterprises and also between the public sector and the regular government service. Such personnel control prevents employees' mobility within the public sector. Career aspiration and development are limited.
- iv. The desire for some kind of regularity in personnel policy. In many countries, corruption and nepotism are to be found, both inside and outside the public sector. Such "unlawful" and discrimination practices can be caused by the autonomy, power and authority held by the top level management.

Being part of the government body where profits are not the only objectives, the extent of PE managers' commitment and accountability to PE performance seems casual and questionable. The general characteristics of public enterprises, such as multiple roles and objectives and their organisation structures may make it more difficult to evaluate the performance of their managers and employees than in the private sector where managers and employees are normally forced to achieve high profits as a single goal of accountability. Thus, this prevailing condition tends to attract security-seekers who, in the first instance, prefer job security in prestigious government agencies, even though upward mobility is quite limited and pay is lower. These administrative services which were occupied by the locals had also provided high salaries, power and prestige, and consequently dissuaded indigenous persons from acquiring skills in technical, professional and business administration (Sadique 1976: 47). Thus it was found that managerial skills were lacking among public sector managers because they may not be the best people who are needed in public enterprises (Hanson 1965; Holland 1975).

The discrepancy in salaries and other benefits between top-level managers and middle managers also means that public enterprises may face difficulties in recruiting suitable people to the managerial levels. Such disparity in pay and incentives prevailing in the public sector has been argued repeatedly in studies of public enterprises. For instance, Hanson (1962: 80-81; 87) suggests that unattractive pay structure makes it more difficult to recruit suitable people at all managerial levels where a public sector and a private sector is operating side by side. This is because the competitive pay rate offered by private enterprises will leave the public sector, according to Hanson, with second best and even third best people. Then one begins to wonder why public enterprises is not quite good as it might be!. At the same time, there were cases when employees, who were mainly looking for job security in public enterprises, later found that their pay

was lower and the opportunities for advancement were limited, and thus they left the organisation. Such cases were found in public enterprises in countries like India and Turkey. It was found that lower salaries and poor conditions had offset the prestige of working in the public enterprise. Paradoxically, what public enterprise demands are all qualities, such as administrative flair, energy, readiness to accept responsibility, and knowledge of the principles of business organisation, of that private enterprise requires of its top-level people (Hanson 1965: 454). Thus one of the most important task of public enterprise organisations is to discover and secure the services of managers and administrators possessing a peculiar and rare combination of talents.

### 3.3.2 Authority and Power Structure

The complex structure of committees and politically defined boundary, civil servant attitude and political sensitivity management (Batstone 1984) were also claimed to be the causes for bureaucratic inefficiency, for fostering centralisation and for hindering public enterprises from being the resource allocating, resource raising and capital formation agencies.(Hanson 1965). For instance, promotions for public sector employees are usually based on seniority rather than on merit. At the same time promotions can be influenced by political and legal requirements (Heath 1980). In the public sector, promotion decisions are highly centralized at the top management level. The personnel managers play a minimum role and have no significant authority and power in making decisions. At the same time, there appears to be a lack of corporate spirit (Miller 1987) and a total waste in human resources due to many assistant managers, surplus personnel in general administration and minimum utilisation of managers' expertise (Hanson 1965).

In public enterprises an organization structure is a means of coordinating large-scale of activities. Public enterprises tend to completely dominate the market as compared to the private enterprises. Public enterprises, which usually do not seem to segment their market, tend to have a tall authority structure as a control mechanism. They have a large administrative personnel. For instance, in Nicaragua and Turkish public enterprises there appears to be no clear goals and clarity of responsibility, no check and control system. A lack of manpower planning was indicated by a surplus administrative personnel and many middle managers, all of which leads to bureaucratic inefficiency (see Hanson 1965: 413-416).

It has suggested that the state or the Board of Directors, in particular, should be prepared to give freedom and encouragement to managers and their management team to manage autonomously. The Board of Directors is expected to act only as the advisory and coordinating body and the management of public enterprises should be decentralised, whenever possible, and be centralized when necessary. The recommendation for the executive director or the general manager to sit on the board of director has been raised by Appleby (1956) who believes that since policy-making should be left in the hands of those ultimately responsible for public the interest, there is no place for an independent and impartial board. His recommendation for the organisation of public enterprises was that the boards should be composed of the general manager other than government officials of various ministries and other enterprises (see Dornstein 1988: 23). In the case of Kenyan public enterprise, for instance, it has been realized that the efficiency and high performance of quasi-public enterprises as compared to public and private firms was also due to non-political appointed management (Grosh 1990: 46).



### 3.3.3 Managerial Autonomy

Crozier (1964: 167) suggests that the top management can in fact shape the organisational culture (behavioural norms) through management practices, particularly in matters relating to personnel policies and practices. Thus a change of director can also bring substantial differences to a plant. The similar findings had also emerged from a previous comparative management study conducted by Negandhi (1975: 266 & 268) in six developing countries, namely Argentina, Brazil, India, the Philippines, Uruguay and Taiwan. The study shows that organizations which undertook long-range planning, formulated major policies and utilised them as guidelines and control mechanisms achieved higher organizational effectiveness and utilisation of human resources. These organisations also administered other control devices such as quality, cost and budgetary controls, delegated decision making authority to subordinates and utilised consultative type of leadership.

In Britain public enterprises appear to have received support for a complete freedom in matters pertaining to personnel policies. As Hanson (1962: 84) describes:

The protagonists of the public corporation in Great Britain were very strongly of the opinion that public enterprise should be just as free to hire, fire, grade and promote its personnel as any private enterprise. Indeed, this is one of the things we have kept to in Britain.

According to Millward and Parker (1983: 221, 252), the success of public enterprises in Britain has been a favourable debating theme for sometimes. This success was the result of management efficiency in public enterprises stressed in Britain in 1940s. There was no direct government control and the Board of Directors played a role like the private. Thus, these findings and suggestions

indicate the positive consequence of non governmental interference to employment practices.

Publicly at least, both the private and the public sectors seek to emphasize that employees and their attitudes, values, aspirations, skills, knowledge and experiences that employees bring into the organisation, are critical to the growth potential of a company. For example, Miller (1987: 347) suggests that the structure, management process and people that fit an organisation's strategy have an influence on the organisation's efficiency and effectiveness. In a study of two governmental agencies Blau (1955) found that the organizations were more efficient and less conflictual particularly when certain preconditions had been established. These included employment security, a procedure for career development developed degree of both careerization and credentialization, coupled with a standardized results-based evaluation system (in Clegg 1990: 48).

The recent privatisation of government-owned enterprises in many countries including Britain was the government strategy to reduce its financial burden on pension bill and administrative costs. However, it should also be noted that the effectiveness of public enterprises can also be measured in terms of the level of employment, the implementation of government policies, efficiency in improved management systems, training and development programmes. It is therefore inappropriate to measure the performance of public enterprises solely in terms of profits because they are also involved in promoting, supporting and initiating socio-economic activities to the community which do not generate revenues. Studies of organisational effectiveness and performance suggest that certain managerial attributes and qualities of personnel management practices do exist in successful organisations (Peters 1984, 1989; O'Toole 1985; Kilmann 1984). Besides, there have been suggestions in many studies that effective personnel management contributed to the efficiency



and effectiveness of public enterprises. Studies have shown that public enterprises in developed and undeveloped countries significantly contribute to the economic, political and social development of the state. Korea, Iraq, India, Brazil, Tanzania, Kenya, Turkey and Italy are the cases in point (Hanson 1965; Holland 1972). The case of the Italian Industrial Reconstruction Institute (IRI), and the Tennessee valley Authority (TVA) classically illustrate the facilitation and beneficial consequences of personnel practices in public enterprises..

In *The State as Entrepreneur*, Holland (1972) describes the success of IRI which has been used as a model for state intervention agencies in Britain, France Canada and Australia, and by the New Swedish State Holding Company and West German public enterprises or state holding. The IRI is Europe's largest market-disciplined diversified multi-sectoral public enterprise group that has interests across business sectors in banking, shipping, radio and television, telephone system, construction (motorway), manufacturing, engineering (production of Alfa-Romeo) and other joint-ventures, such as with FIAT. Other small state holding companies share the same status as IRI and thus creates competition among public enterprises. The philosophy behind the success of IRI is its management's entrepreneurial mode and profit obligations (as a yardstick for efficiency) in the market environment. At the same time, IRI does not ignore social and economic aims. The philosophy of managerial autonomy allows managers with maximum feasible independence and responsibility. IRI is left free to manage, such as in hiring and firing of staff, in buying policy, market and product development. It has been pointed out that IRI, at the same time, cannot totally avoid form political intervention and bureaucracy of the state. The success of IRI is a measure of the extent to which it has escaped from nepotism, political placement and bureaucracy and is tribute to the public spirit and good sense of a limited number of leading personalities (Holland 1972: 55).

Cloag (1948) highlighted the success of the Tennessee Valley Authority (TVA), a United State public enterprise, which was mainly due to recruitment and selection practices based on individual credentials. The TVA is responsible for the development of water conservation, flood control, navigation, land conservation, power production, and in creating fuller and richer opportunities for individual enterprise and independence in the area of 40,000 square miles. The success of TVA is described by Cloag (1948) in his volume *What About Enterprise*. During his visit to the United States in 1946, Cloag realised that the success of TVA, which he describes as the "Number One" public enterprise in the world, was the grant of regional autonomy, and its freedom from bureaucratic control of the state. For example, the appointment of TVA directors and officials was non-political, such as reward for party loyalty. It was merely based on ability and technical knowledge. The human resource staff have been assigned to work closely with top managers in an organisationwide Total Quality Management (TQM) initiative (Bernardin & Russell 1993: 541).

The inquiry into the development and management of TVA was carried out during 1942-1943. In *TVA and the Grass Roots*, Selznick (1953) describes the managerial autonomy in its relation to the federal government that shapes the character of TVA in a unified direction. Unlike any other government organisations, TVA is free of control by federal civil service law and escapes completely from the Ramspeck Act of 1940 which gave the President the powers to impose civil service conditions upon any of the public enterprises (see also Hanson 1962: 85). The TVA Act of 1933 (Section 6) stipulates a provision for the establishment of an internal civil service system under the control of the Authority:

In the appointment of officials and the selection of employees for such operation and in the promotion of any such employees or officials no political test or qualification shall be permitted or given consideration but all such appointments and promotions shall be given and made on the basis of merit and

efficiency. Any member of the said board who is found by the President of the United States to be guilty of violation of this section shall be removed from office by the President of the United States. And any appointee of said Board who is found by the Board to be guilty of violation of this section shall be removed from office by the Board (in Selznick 1953: 30).

The advantage and the relevance of the demand for managerial autonomy, particularly over personnel policy has been recognised by the Joint Committee which investigated the TVA in 1938 ( Selznick 1953: 32).

### 3.4 CONCLUSION AND SUMMARY

This review of the literature reveals that the practice of personnel management often contradicts the more theoretical, idealistic and prescriptive literature. Problems of effective personnel management and the negative consequences of the absence of personnel management have been detected, particularly in studies of public enterprises. It has been highlighted that the political, governmental and organizational constraints enforced on the public sector disrupt the practice of effective management in the public enterprise sector. However, there are successful private and public enterprises which facilitate personnel management practices. The beneficial consequences of effective personnel practices in many organisations in the west as well as in the east have been demonstrated. Whether the western management approach has much to contribute or whether it will be suited to the Malaysian environment is still uncertain. However, Malaysian managers must accept corporate disciplines, adapt to a fast working situation and to the ethos of the business world. The task of the management in the Malaysian setting is to make the workforce as a whole feel its needs and aspirations are met, yet responding to according to different values of different racial groups and in ways which are not racially divisive (see Hamzah Sendut 1991: 64; 65).

This study seeks to contribute to the debate on the realities and possibilities of effective personnel practices by considering the case of Malaysian SEDCs. The following chapter 4 outlines the research design and methodology. Chapter 5 to chapter 8 discuss the research findings.

## CHAPTER 4

### RESEARCH DESIGN AND METHODOLOGY

#### 4.0 INTRODUCTION

In this study an empirical examination was made of those factors which tend to facilitate or inhibit the emergence of effective personnel policies and practices in Malaysian State Economic Development Corporations (SEDCs) by focusing on how each SEDC establishes and implements its personnel policy. The major variables of personnel practice, including personnel planning, performance evaluation, pay and reward systems and training and development as well as those matters of organisation design which have been quite strongly associated with organisational effectiveness (Negandhi 1975: 268; Etzioni 1975), will provide the focus of the study. It is recognised that other factors, such as the socio-economic and cultural background of managers, to some extent, may shape their behaviour, viz. managerial actions and decision (Blunt 1983: 34; Dornstein 1988: 1) Such environmental variables, including the general political and social background of Malaysian society, as well as the characteristics of specific SEDCs and their managers will also be examined.

It was decided that a field study was the most appropriate form of empirical research on a project concerned to describe and examine personnel practices in the SEDCs. This method involves informant and respondent interviewing using both closed and open-ended questionnaires and document analysis. Thus no pilot study was conducted because the main research instrument was a personal interview with personnel and functional managers. Secondly all managers in public enterprise organisations are very concerned about, and reluctant to give information to any "unknown" researcher which might affect either their organisations or the government. It should be realised

that the issue of the release of information about the SEDCs to the public is lawfully stated in the Second Schedule (Section 3 and 7), paragraph 10, Incorporation (State Legislatures Competency) Act, 1962, an Act which prescribes the powers of State legislatures to make laws with respect to the incorporation of certain persons and bodies within a state:

<b>Improper use of Information</b>	10. An officer or servant of a corporation shall not make use of any information acquired by virtue of his position as an officer or servant of the corporation to gain an improper advantage for himself or for any person or to cause detriment to the corporation.
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Given this legal framework, it is not surprising that the research proposal was not accepted by certain SEDCs, i.e. Sabah State Economic Development in East Malaysia.

#### 4.1 RELIABILITY AND VALIDITY

All research has to address issues of reliability and validity. For instance, field studies are often criticised on the grounds of validity (the question of whether the researcher is studying the phenomenon he or she purports to be studying) and reliability (the question of whether the researcher is obtaining data on which he or she can rely). It must be noted that researchers in social sciences can never attain perfect validity because of the abstracted concepts of social research and the infinite number of indicators or manifestations of concepts. As such there are no objective standards against which measurements of these concepts can be compared for verification (Black & Champion 1976: 223). In this research project, various strategies were used to limit threats to validity and reliability such as observer-caused effects, observer bias, data access limitations and complexities and limitations of the human mind (McCall and Simmons 1969:



78). These included: the length of time in interaction with people in the field, the use of multiple methods such as personal interviews, note taking and observations, the willingness of the participants to participate and answer to all questions and careful selection of types of respondents interviewing and probing questions to access data not available through questionnaire surveys.

The methodology chosen was that of face to face personal interview, employing both closed response structured questionnaires, as well as more interpretative and open-ended questions. On average, the time taken for each interview ranged from one to two hours duration. Some lasted as long as three hours. The questionnaire on personnel functions was administered to senior and middle managers. Approximately 88 respondents from all eleven SEDCs were identified. The respondents were the personnel manager and departmental managers who are directly involved in the formulation and execution of management policy, including personnel policy and practices. The number of departmental managers participating in the interviews would again vary according to the size of SEDCs, the units of analysis. In all, 74 respondents (84.1%) were interviewed and responded to questionnaires.

Available companies' policies, rules and procedures, annual reports and publications, as well as observations were also used. These methods were used to control the dangers of spurious variables, contaminating influences and the influence of the situation under investigation. It has been suggested (Scott 1965: 285) that other organisational documents, such as records and reports, company's policies, rules and procedures, manual, annual reports and publications are also used. According to Scott there were a number of studies which have used these methods of data collection. For instance, Reismann (1949), Seashore (1954), Lawrence and Lorsch (1967) had used interview and questionnaire survey while Dalton (1959), Thompson (1956), Selznick (1948) and



Selltiz et al. (1959) had used organisational documents and records and personal documents such as personal diaries and letters (see March 1965: 266-285).

## 4.2 THE RESEARCH DESIGN

A large-scale, management study undertaken in various developing countries was conducted by Negandhi and his colleagues (1975: 245). The study of manpower management, in particular was examined in terms of methods used in manpower planning, employee selection, training and appraisals, promotion criteria used, management development practices used, compensation and benefit programmes. The environmental variables were conceptualised in terms of socio-economic, political, legal and cultural settings in the countries studied. The organisations studied were 63 American subsidiaries, 61 comparable local companies and 30 U.S. parent companies of nine industrial groups in seven countries: U.S.A., Argentina, Brazil, India, the Philippines, Taiwan and Uruguay. The industrial groups were chemicals and pharmaceutical, petroleum, light engineering, heavy engineering, electrical consumer, rubber tires, soap and cosmetics, soft drinks and canned foods and electrical industry. Top and middle-level executives were interviewed, on the average of 15-20 executives in each firm, taking from one to three full time working days for each interview. Group interviews in the preliminary sessions, followed by intensive personal interviews with each executive were held. Those interviewed held the following positions: chairman or president; board director; general manager, directors of marketing, sales production, finance and personnel; chief accountant or controller. Some interviews were repeated for clarification.

It is based on Negandhi's model of management study in developing countries that this study was not only informed by but also designed to go beyond Negandhi's study of management practices by exclusively and

specifically examining human resource management practices in all eleven State Economic Development Corporations in West Malaysia.

#### **4.2.1 Measurement of Effective Personnel Management Practices**

In this research, elements of effective personnel management practices will be observed and examined using Negandhi's profiles of effective manpower management practices (Negandhi 1975: 250-255). These include the formal statement of manpower policies, formal and systematic methods of recruitment of managers; formal training and education of workforce; formal and regular management education; management conceived personnel functions as strategic functions; management conceived employees as important resource; management's belief that employees will give their best when treated as being responsible; methods of payment based on objective criteria; creation of positive labour relations; types of compensation and motivation, separate organisation of personnel department, formal development and selection of promotion criteria and continuous employee evaluation. These measurements have four general purposes: describing the characteristics or properties of personnel jobs, personnel managers and personnel departments; evaluating the outcomes of the personnel activities; assessing the personnel management needs in the organisations, and predicting future outcome. These four purposes are not mutually exclusive (Bernardin & Russell 1993: 653).

Developing the specific criteria which define effectiveness of personnel department and personnel management activities is most problematic and very difficult to evaluate (Bernardin & Russell 1993:14; Mondy & Noe 1993:730). Thus, in the research, a flexible definition of effectiveness should be retained so that line managers themselves could define it by asking what they defined as an effective personnel department or practices. Thus it is partly their definitions of

personnel management effectiveness. In this research, the two basic methods were used to evaluate the effectiveness of personnel management activities: checklists and quantitative measures (Mondy & Noe 1993:730). The checklist approach poses a number of questions that can be answered "yes" or "no". This method is concerned with whether personnel management activities have been recognized and, if so, whether they were being performed. being performed. The more "yes" answers there were, the better the evaluation; "no" answers indicated the areas or activities where follow-up or additional is needed to increase personnel management effectiveness. The quantitative method such as the calculation of certain percentage was useful primarily as an indicator of activity levels and trends. Ratios would show results that are important in themselves but that also revealed (when maintain over a period of time) trends that may be even more important (Mondy & Noe 1993: 730). As such effectiveness also means : systematic, formalised and acoountable practices (which line managers may be opposed to because they will loose power to personnel managers).

#### 4.2.2 Types of Data

This research used both qualitative and quantitative methods because it would help to understand human resource management issues and because it has been suggested that both qualitative and quantitative research can be used side by side (Daft 1983: 539). However, Daft has criticized the extensive over-reliance on, and the use of quantitative methods in organisation studies and has cited the benefits of using a qualitative approach as well (Donaldson 1985: 75). Collinson (1992: 93) also suggests qualitative approaches enjoyed certain crucial advantages over other methods. In particular it provided a degree of flexibility through which unanticipated issues could emerge as projects progress. Also, a qualitative approach to the analysis of behaviour in organisations has the

advantage of allowing respondents to "speak for themselves" and to define, not only through their words, but also in their actions, the social worlds in which they live their lives. Consequently, new insights into organisational practices can emerge. Silverman (1985: 82) suggests that the survey research which seeks to include all relevant variables loses theoretical and consistency. Thus, in this research a qualitative approach was widely used and the relationship between personnel practices and the characteristics of the variables suggests the use of non-parametric analysis of variance, viz. chi-square test (Kerlinger 1986: 266, 268). A Spearman's rank correlation and a T-test were also used. No attempt will be made to identify causation among the variables because a field study does not provide a strong basis on which to establish causation (see Stone 1970: 116). One of the reasons is that the effects of socio-cultural variables on organization behaviour and organisational structure cannot be specifically operationalised or tested statistically (Donaldson 1985: 115).

#### 4.2.3 Population

There are 13 State Economic Development Corporations (SEDs), one in each state of Malaysia: 11 in West Malaysia and 2 in East Malaysia. All SEDs were created in the Second Malaysia Plan (1970-1975) at the time when the New Economic Policy (NEP) was formulated and launched. One of the objectives of the SEDs is to achieve Malay (Bumiputra) participation in the economic activities and socio-economic development of each state. Today, through the SEDs' subsidiaries, their commercial activities range from building and construction, trading and plantation to tourism. Other forms of businesses are joint-ventures with local and foreign enterprises and equity participation in other organisations. The total number of employees employed by 11 SEDs in West Malaysia is 4035 (Table 4.1 & Table 4.2)

Table 4.1  
Size of the SEDCs  
(By number of employees)

SEDCs	Size of SEDC ( number of employees 1989 )
Johor	522
Kedah	142
Kelantan	161
Melaka	97
Negeri Sembilan	132
Pahang	322
Penang	428
Perak	278
Perlis	45
Selangor	1651
Terengganu	<u>257</u>
Total	4035

( Source : Annual Reports and Information provided by SEDCs )

Table 4. 2  
Size of SEDCs, 1988  
(By number of departments / divisions)

SEDC	Nos. Employees	Nos. of Divisions / departments	Nos. of Units <sup>iii</sup>	Total	Nos of holding Co.
1. Selangor	1651	<sup>i</sup> 18 (10)	6	24	-
2. Johor	<sup>ii</sup> 522	9	3	12	1
3. Penang	428	6	4	10	-
4. Pahang	<sup>ii</sup> 322	5	1	6	2
5. Perak	278	4	5	9	-
6. Terengganu	257	7	-	7	-
7. Kelantan	161	9	1	10	-
8. Kedah	142	4	-	4	-
9. Negeri Sembilan	132	6	-	6	-
10. Melaka	97	3	-	3	-
11. Perlis	<sup>ii</sup> 45	3	-	3	1

Notes :

- i. including Bangi and Shah Alam Divisions
- ii. not including employees of holding companies.
- iii. Units directly reporting to general manager/executive director

Source : Provided by SEDCs, 1989.



#### 4.2.4. Sample Size

Initially, four SEDCs representing each geographic locations were identified: Johor in the South, Selangor in the west coast, Penang in the north and Pahang in the east coast. However for reasons elaborated below, this study was enlarged to all eleven of West Malaysian SEDCs.

Before the field work began, the short-comings and problems which one may encounter in the data collection process, data analysis and in the discussion of the research findings were already apparent. First, the size of these SEDCs varies from 300 to more than 1000 employees, the number of subsidiaries varies from 5 to more than 50, the economic activities range from trade and commercial activities to some social projects such as the construction of low cost housing and other infrastructural development. There are successful and less successful SEDCs. These characteristic differences between SEDCs are not only associated with their geographic location. They also depend on degrees of government interference, support and protection, managerial styles, the formulation and implementation of corporate planning, strategy and management philosophy of each SEDC.

Secondly, there are problems in defining a manager. Who is a senior or a middle manager? What criteria are used to determine whether one is a senior or middle manager? In SEDCs, generally, a fresh university graduate enters the organisation either as an assistant manager or as an officer. In some SEDCs, the position is called an assistant manager and others may use the term "officer". However, no matter what such a person is called, the fresh graduate will receive the same salary scale based on the government salary structure. The non-degree (technical certificates) holders usually enter the organisation as administrative assistants or as executive officers. These "second division" officers are seldom

involved in the management policy. Very few are familiar with or know the policy and strategy of the organisation, such as its personnel policy. The number of these assistant managers and officers also varies with each SEDC.

Given the general structure of the SEDCs, it was therefore decided that the importance of the study would be enhanced if it covered all eleven SEDCs in West Malaysia (Table 4.3). The SEDCs are the largest group of public enterprise organisations among 26 government agencies under the Ministry of Public Enterprises (see Table 1.1). The total population of 11 SEDCs in West Malaysia is ample for generalisation. Care has been taken to control for the effect of other variables on personnel practices by the choice of similar organisations, i.e. SEDCs.

**Table 4.3**  
**Location of SEDCs**

<b>Regionn</b>	<b>SEDCs</b>
North	Perlis, Kedah, Penang, and Perak
South	Johor
East Coast	Kelantan, Terengganu, Pahang.
West Coast	Selangor, Negeri Sembilan, Melaka.

Interviews with all functional managers and personnel managers employed in all West Malaysia SEDCs would be able to give a broadranging picture of personnel practices. It would also be able to make generalisations about personnel management in SEDCs. The choice of informants and respondents are carefully identified and selected according to divisions, departments and units so that they can provide both a comprehensive picture of the phenomenon under examination and a variety perspectives on that

phenomenon. Thus the sample of informants and respondents is drawn from all categories of group of people involved in the organisation's phenomenon. However, the research was relying more heavily upon the information provided by particular informants, i.e. the line and personnel managers. Lower level employees were not interviewed because they were not involved in formulating and implementing personnel policies. On the other hand, this issue of secrecy and fear of exposure or the participants may see the researcher as a means to promote their political agendas are the main dilemma of research. The researcher had to rely on management's accounts, i.e. relies on trust, interest, respect, confidence, clear understanding why the researcher is there, and the "good faith" of participants. This is to say that the arrival of the researcher at the site must be well accepted as non-threatening.

#### 4.3 DATA COLLECTION

The study of the personnel and line managers' opinions and views about human resource management was carried out in the 11 SEDCs in West Malaysia in 1989 (June to September). Four organisations were again visited and interviews with personnel managers were repeated for clarification in 1990 (July to September).

At the end of May, 1989, letters were sent to all the 13 SEDCs followed by telephone reminders. The letters stated the objectives, focus and the method of the study to be carried out. Assurance was made that:

1. the findings would not be published for public reading.
2. the research was conducted solely for the academic purpose of conducting research in order to fulfill the degree requirement.

3. the research was not intended to discover, reveal and reflect features of the individual SEDC. This meant that the data would be aggregated and be treated as confidential.

This letter, attached with a letter from the research supervisor, was also copied to the Dean of Social Sciences, University of Science Malaysia in Penang for acknowledgement. This type of letter is usual when dealing with public organisations controlled by the Federal and State government.

After about three weeks only a few replies had been received: Kelantan, Johor, Melaka, Sarawak and Perak accepted the research study. Appointments with the other SEDCs were made through phone calls. Sabah (East Malaysia) refused to become involved in the study without giving any reason. At the time of the study, Sabah was in a political crisis, particularly in the present ruling party. Secondly, Sabah is not closely associated with West Malaysians because of the state's geographical and ethnic background. In fact, the Sabah ruling party, Parti Bersatu Sabah (PBS) had pulled out of the ruling National Front coalition party (Barisan Nasional) and joined the opposition front a few days before the general election which was held on 21th. October, 1990. By contrast, Sarawak SEDC in East Malaysia allowed the study to proceed, but with reservations: only general information would be given. Terengganu, for instance, initially rejected the study. The second letter was sent to Terengganu SEDC explaining the intentions of the research. In the case of Perak, a further clarification of the study was requested and this was sent. Later both Terengganu and Perak agreed to accept the study. In all, after considerable persistence from the researcher eleven SEDCs in West Malaysia agreed.

Before the study was officially conducted, contacts were made with friends and colleagues who personally knew or had close friends of managers in various SEDCs. In the case of Kedah, the contact was made through a friend's

colleague who personally knew both the general manager and administrative manager. The administrative officer was a University of Science Malaysia (USM) graduate. The contact with Perak was made through a cousin who is a personnel manager at Perak SEDC's cement company. In addition, the personnel officer was a USM graduate. In Kelantan, there was no difficulty because the researcher, who is from Kelantan, had an old friend working as the corporate manager. Penang SEDC had a close relation with USM in research and development. Furthermore, the USM colleague who sits together with the deputy general manager in one of the federal committees, introduced the study to the organisation and then set up the appointment. The Vice-Chancellor and the Deputy Vice-Chancellor of USM are members of the Board of Directors of Penang SEDC. In Johor, the USM management graduate working as an officer made the necessary arrangements with the personnel manager. In Negeri Sembilan, it so happened that a USM colleague's cousin was working as an assistant accountant. In Pahang, a USM colleague knew the general manager and administrative manager. In Selangor, the personnel manager's sister was working at USM, so there was no reason why he would not support the research. In Terengganu, a senior marketing manager was a USM graduate and was also a friend of my colleague. In Perlis the administrative manager was a former USM masters degree student. His wife was also a former masters degree student in management. The deputy administrative manager was an old friend of the present dean of the school of Social Science, USM from the time when they were students at USM.

The participation of several SEDCs was encouraged by the author's use of various informal contacts and network. Suffice it to say that these informal contacts and intermediaries played a very important role in introducing, assuring and convincing the SEDCs' managers to give support and cooperation in the research. It should be realised how important these personal linkages, networks

and indirect approach are in Malaysia's cultural and social environment (see Gregory Thong 1991: 162) As a result of personal contact, introduction, recommendation, persuasion and assurance made by respective individuals, the research study was encouraged, supported and personally participated in by respective managers. The openness and willingness of managers to participate in the discussion helped to compensate for gaps in the coverage due to shortage of time and unavailability of few managers at the time of the visit to the organisations (see Storey 1992: 282).

In the SEDCs, all administration and personnel matters are handled by the administrative managers. Thus my first contact was with the administrative manager. After finishing the interview, the administrative manager contacted the respective departmental managers. However, in the case of Penang, I first met with the deputy general manager who explained about the SEDC, pertaining to its management philosophy and corporate objectives. He then allowed me to conduct interviews with respective line and personnel managers.

#### 4.4. RESPONDENTS

The respondents were managers and senior officers employed in the personnel department and in other functional departments (Table 4.4. & Table 4.5).

Table 4.4  
Number of Respondents  
(By positions)

Position	Number	Percentage
Senior Managers	27	36.5
Middle Managers	27	36.5
Senior Officers	<u>20</u>	<u>27.0</u>
Total	74	100.00



**Table 4.5**  
**Number of Respondents in each SEDC**  
**( By departments )**

SEDC	Total nos. of Department	No. of Managers interviewed / questionnaire answered
Selangor	16 <sup>1</sup>	8
Johor	12	7
Penang	11	11
Pahang	6	6
Perak	9	8
Terengganu	7	3
Kelantan	10	6
Kedah	4	8
Negeri Sembilan	6	7
Melaka	3	6
Perlis	4 <sub>2</sub>	6
Total	88	74 (84.1%)

There were cases when departmental managers were not available for the interview. 33 questionnaires were left with the administrative managers who then gave them to respective managers. These questionnaires were returned to my office. Some questionnaires were completely answered and some were not returned : there were 3 incomplete returns while 14 were not returned. There was only one case where the technical manager refused to be interviewed. This is a drawback. Of the 74 respondents, 69 (94.5 %) were married, 54 (72.6 %) were

<sup>1</sup> PKNS, Petaling Jaya only

<sup>2</sup> Including Badan Operasi (holding company)

male and 20 (27.0 %) were female (Table 4.6). They were 27 senior managers, 27 managers and 20 senior officers of whom there were 69 Malays, 4 Chinese and 1 Indian (Table 4.7). The predominance of Malay respondents reflects their numerical dominance in the SEDCs. In only one SEDC, did I find Chinese in the senior managerial positions.

**Table 4.6.**  
**SEX**

	Respondent	
	Number	Percentage
Male	54	72.6
Female	20	27.4

**Table 4.7**  
**Ethnicity**

	Respondent	
	Number	Percentage
Malay	69	93.2
Chinese	4	5.4
Indians	<u>1</u>	<u>1.4</u>
Total	74	100.00

### 3.5 CONCLUSION

All in all, the personnel and functional managers contacted co-operated in the research project. As expected, there were differences in the quality of response between the personal interview and mailing questionnaire survey approaches. Face to face or personal interviews tend to be more reliable and accurate because of the openness, social relationship developed, willingness of respondents and the comfort of the interview process. Thus the personal

interview using both closed and open-ended questions and document analysis tended to provide both more and relatively more accurate and important information beyond the questions asked. The face to face approach allowed the respondents to counteract and clarify certain information which was being gathered from other external sources such as the media and reports. Certain information which was seen as being sensitive could be discussed "off the record". In contrast, the mailing questionnaires received from those respondents who were not available during the visit was, in fact, a one-way communication in which the accuracy and reliability of the data was solely dependent on the respondents' willingness and seriousness to answer the questions posed. The following Chapter 5 is the first empirical chapter.

## CHAPTER 5

### THE "MALAYNESS" OF THE SEDCs AND THE ABSENCE OF PERSONNEL MANAGEMENT

#### 5.0 INTRODUCTION

This first empirical chapter introduces the research respondents, outlines some of their key characteristics and most importantly highlights some of their central values and assumptions. In doing so, the chapter also reveals the pervasiveness of Malay culture in many of the SEDCs. It shows how the Malay respondents identified very closely with the dominant Malay culture and reproduced this culture in their everyday personnel practices.

The managers' tendency to identify with the dominant Malay culture also constituted a significant barrier to progressive management practices in the SEDCs. The chapter demonstrates that Malay managers are relatively satisfied with many aspects of the personnel practices that affect them. Indeed, a considerable degree of reluctance to change was discernible in the managers' accounts. Accordingly, this level of satisfaction discourages the managers from pressing for significant changes regarding personnel matters. Hence this chapter first highlights management's commitment to the reproduction of the Malay culture in most SEDCs. It identifies their reluctance to change despite poor career opportunities.

The final section of the chapter then identifies an interrelated key factor in the failure to generate organisational change, namely the low status of personnel departments and the ineffectiveness of their practices. This section reveals that line managers consistently regarded personnel specialists as marginal to current organisational procedures. On the basis of this important finding, future chapters go on to explore some of the negative consequences of ineffective personnel

practices, some of the other organisational barriers to more effective practices and also some of the facilitators of more effective personnel practices discovered in certain relatively successful SEDCs.

## 5.1 THE INDIGENOUS MALAY CULTURE

The definition of "Malay" in Malaysia's Constitution is one who speaks the Malay language habitually, practices Malay customs and is a Muslim. The Malays who had been in the peninsula since at least the beginning of the 15th century, until about the middle of the 18th century were not primarily agriculturists. They relied more on trade rather than on agriculture for their livelihood. Agriculture became more important after the British administration was introduced because the British encouraged only Malays to engage in cultivation. Up until the NEP, the majority of the Malay population worked in their protected and preserved traditional rural occupations of farming and fishing (Conway 1980: 8). This was particularly the case in the rural east and north of the country. They were excluded from the economic changes (business and trade) that were taking place in the urban areas in the west of the country. In Kelantan, for instance, there are 1.2 million people of which only 7% are non-Malays. These peasant rural Malays are found to be strongly influenced by racial and religious ideology (Jomo 1989) which is characterized by a high priority on spirituality. Yet at the same time, the Malays still retain political preeminence in the country and are mostly employed in the public sector which has been long dominated by the Malay elite who have retained their hereditary positions and significant role in the civil service since the colonial period (Conway 1980: 8).

Most Malay managers whom I interviewed articulated their strong commitment to the recruitment of Malays. Many agreed that the main objective of SEDCs is to achieve the NEP objectives and thus they believe that SEDCs, therefore, should not only reflect, but also reinforce Malay business corporations. Thus, the concept of SEDCs as "Malay corporations" has created indirect ethnic and religious discrimination in employment. This segregation is reinforced by : the role of these "Malay-owned" corporations as "patrons" and "trustees" of Bumiputras and as "umbrellas" to Bumiputra enterprises; the prerogative and the discretionary power of the Malay Chairman (Head of the State) and board of directors, as well as the identification of SEDCs with "Malayness" and "Islam" (Malays are Muslims). Thus an excessive employment of Malays particularly in Malay-controlled government-owned SEDCs reinforces the domination of Malay culture and Islamic values in these organizations.

The study of Malay culture claims that Malays are polite and very sensitive to the moods of others (see Hamzah Sendut 1991: 64-67). They speak softly in front of others and use the right hands only for passing and receiving things, never the left; pointing is with thumb and not with the index finger. Older people (employees) are respected. Malays are also more patriotic in the sense that they are motivated by the recognition that their job makes a contribution not only to the organisation but also to their family, community and the nation. In Malay society, the ideal manager is one who is always calm, polite, pleasant and can work with others. These rural-based Malay managers, in particular, who began to learn and understand the 'prescribed' Western management practices have yet to accept and suit themselves to a business environment or Western management practices of corporate discipline and fast working situation, of job performance or skills as a criteria for promotion, or less sensitivity to others and of impersonalised management styles.



This Malay culture combined with Islamic values and norms such as moderation in life (control of passions and desires), moral obligations (generosity, kindness, tolerance, considerations, mercy, sympathy) to human beings i.e. society, parents and others, the Koran which also stresses the concept of forgiveness and reconciliation rather than legalism (see Asia Week 1992: 29) and Muslim's beliefs in reward and punishment for their conduct after death at the day of judgement have dominated or dictated the Moslem-Malay daily life are also brought into the workplace and organisations. These cultural and religious concerns frequently outweigh economic priorities in the workplace as one of the senior manager illustrated during the project.

"The government pay system does not provide any incentives to employees. Before the recession period, the turnover among qualified personnel was very high. In this SEDC, there is no challenging work and pay is not attractive. Given the choice, I would prefer to move into another organisation. Frankly, I joined and stay in the SEDC because of my family obligation, i.e. to take care of my old folk here."

These cultural and religious virtues of Moslem-Malay ethnic groups are reflected in Malay's lower ambition and low striving for material wealth or higher achievement. Consequently, these spiritual and cultural priorities discourage management insensitivity to the needs of effective manpower planning, recruitment and selection, training and development and appraisal systems in many SEDCs. This research found that there is little incentive for management to change the status quo of government department in which religion and culture are strongly embedded.

The Malay social and Islamic religious values and norms are easily acceptable, fostered and tightened in the SEDCs through various dress codes especially for women (female employees usually cover their hair and wear long dresses), provisions of facilities for religious rituals and practices such as long

hour lunch break for Friday prayer, provision of prayer rooms at work place and spiritual and ethical development programmes. A form of gender, ethnic and social segregation in recruitment, selection, promotion and even in training is also a means of preserving and strengthening one particular preferential religious and cultural values and norms. Hence it is not surprising that the occupational pattern in the SEDCs is ethnically, as well as religiously segregated.

In Penang SEDC, a dominated Chinese SEDC, for example, the jobs are ethnically discriminated. Malay and non-Malay managers were assigned to different jobs according to ethnic work preferences and priorities. It also clearly shows that the non-Malay managers directly control the personnel management functions such as selection, appraisal and promotion, and other important functional units like investment, engineering and research. On the other hand, Malay managers were responsible with "staff" functions such as matters dealing with government agencies in land matters and with the public. The prevailing societal and cultural factors found in Penang SEDC also shape a different type of organisational character and managerial behaviour, away from typical characteristics and managerial styles of many "totally" Malay SEDCs in which homogeneous social and cultural values and norms exist. The heterogeneous ethnic and religious values of Moslem-Malays and Non-Muslims are reflected in the personality of employees of the Penang SEDC, for example. Malay employees working together with non-Malay employees were found to be more relaxed, more western in their dresses, and more open and liberal. One of the reasons for such difference was the absence of a strong and dominant Moslem-Malay culture in the organisation.

In all, the work culture of Moslem-Malay stresses values which coincide with the employment conditions of the many Moslem- Malay dominated SEDCs. This culture may be very attractive employment feature for Malays. It is reflected in the Malays' preference to work and stay in the SEDCs. These points are exemplified with reference to the profile and responses of the managers as the following section discusses.

### 5.1.1 The Profile of SEDC Managers

The profile of those managers who participated in the research illustrates the pervasiveness of the Malay culture. This section describes the career orientation of managers, in terms of their managerial skills, values, needs and motives, their functional specialities, roles and career aspirations. Tables 5.1 to 5.4 represent the breakdown of SEDC managers by age, years of experience, levels of education and university specialisations. Table 5.1 and Table 5.2 indicate that approximately 60.3% of the managers who participated in the research are above the age of 35 years and approximately 39.6% below 30 years of age. It indicates that departmental managers are those who have been working, either in SEDCs or outside SEDCs, for quite a long period.

**Table 5.1**  
**Age of Managers**

Age Group	Number	Percentage
25 - 29	7	9.5
30 - 34	22	30.1
35 - 39	29	39.7
40 - 44	11	15.1
45 - 49	1	1.4
> 50	3	4.1
	<hr/> 73	<hr/> 100.0

Table 5.2  
Manager's Age Group

	25-29	30-34	35-39	40-44	45-49	≥50
<b>SEDCs</b>						
Selangor	-	1	7	-	-	-
Johor		3	2	2	-	-
Penang	2	3	2	2	1	1
Pahang	1	4	1	-	-	-
Perak	-	2	3	2	-	1
Terengganu	-	-	2	1	-	-
Kelantan	-	1	3	1	-	1
Kedah	3	4	1	-	-	-
Negeri Sembilan	-	1	3	-	-	-
Melaka	-	2	2	2	-	-
Perlis	1	1	3	1	-	-
<b>Total</b>	<hr/> 7	<hr/> 22	<hr/> 29	<hr/> 11	<hr/> 1	<hr/> 3

Table 5.3 indicates that 47 managers or 64.4 % have worked in SEDCs for more than 8 years; 20 managers or 27.4% work from 4 to 7 years and only 6 managers or 8.2% work for 3 years and less. The employment experience of most managers is also limited to the single organisation, that is in the SEDC as Table 5.4 indicates. This reveals that 45 managers or 61.6% have only worked in this particular SEDC; 17 managers or 23.3% have worked in another organisation before joining the SEDC; 13 managers or 15.1% have worked in more than 2 organisations in their last 10 years of working before joining SEDCs. This finding provides strong confirmation that managers are, on the whole, satisfied enough with their employment experience in the SEDCs that they are not actively pursuing careers elsewhere. This argument is also supported by other data.

**Table 5.3**  
**Years In the Organization**

Years in Organization	Number of Managers	Percentage
<1	3	4.11
2 - 3	3	4.11
4 - 5	8	10.96
6 - 7	12	16.44
8 - 9	12	16.44
10 - 11	5	6.85
12 - 13	5	6.85
14 - 15	15	20.55
>16	8	10.96
Missing	2	2.74
	<u>73</u>	<u>100.00</u>

**Table 5.4**  
**Number of Organizations Worked  
in Last 10 Years.**

Number of Organizations	Number of Managers Responded	Percentage
1	45	61.6
2	17	23.3
3	2	2.7
4	6	8.2
> - 5	3	4.1
	<u>73</u>	<u>100.00</u>

### 5.1.2 Work Culture in the SEDCs

During the initial development of the SEDCs, most managers were seconded government officers and there was flexibility and autonomy for the boards over personnel policies pertaining to pay, selection and promotion of employees at all levels. The situation changed in the early 1980s when the SEDCs' personnel policies were shaped and closely monitored by the public service commission. Since then, personnel management practices have been subjected to government's approval and consequently the SEDCs are like other government departments.

Each SEDC must comply with certain government personnel policies, guidelines, and procedure, such as salary and benefits and standardised recruitment and selection criteria. In addition, the appointment of three federal government representatives as members of the Board provided under the Second Schedule (Section 3 and 7) of the Incorporation (State and Legislature Competency) Act, 1962 indicates the government's interest in the affairs of the corporation. With regard to such limited autonomy and independence, many managers tend to be quite defensive when someone criticizes them over their inefficiency. They blame the government's interference in their operations, including for example the standardised government pay structure, tightly controlled selection and promotion policies as well as non-monetary incentives.

Since the SEDCs which are similar to any other government agencies, career advancement for those who are not in the Malaysian Administrative Service (MAS) and Malaysia Diplomatic Service (MDS) is quite limited because promotions in public service are not time-based but based on vacancies. Even then, one must wait for one's turn depending on one's seniority and whether one



is within the promotion zone. As such, most government officers may take as long as 10 to 15 years to be in a senior timescale, i.e. the highest salary scale for government officers with no promotion. For that reason, most SEDC management are less concerned about fitting the right individual to the right job. Thus, the practice of recruitment and selection in SEDCs, apparently, is not tied to job requirement which requires an effective job analysis, job description and job specification. In some instances, it was found that there are technical graduates in charge of administration and personnel department. Such placement - which undermines individual accountability for the work they are assigned, value to work and competence - may describe the managerial structure of a public sector based on pay bracket, rather than on responsibility. Consequently these ex-line managers became personnel managers with no personnel management knowledge tend to ignore or neglect the significant contribution of personnel management to organizational efficiency. Moreover, the government's inflexible pay structure tends to give problems to the SEDCs to implement or adopt effective selection and promotion policies.

This research discovered that the selection and promotion process is the most problematic personnel function in the SEDCs. There are many reasons why this should be so. First, the SEDCs (as was mentioned earlier) are government agencies that provide job security and relatively better pay schemes at entry level than many private enterprises. Thus, the corporations are obviously attractive for a large number of Malay applicants competing for a limited number of positions (i.e. from managerial positions to clerical work). Such a large number of applications tends to affect the methods of selection, such as evaluating the background and experience and assessing attitude, aptitudes and abilities of applicants, especially for managerial positions. Secondly, promotions based on merit was not overwhelmingly accepted. "If there is any promotion", said one personnel officer of a small SEDC, "it must be based on seniority

because it will avoid chaos. I have seen many young officers (newly promoted) were facing difficulty when they managed the olds". Thirdly, the main reason for the career block is the limited number of senior positions in both line and staff functions. As a result, managers who have "qualified" for promotion were usually posted (seconded) to subsidiary companies. At any time (when appropriate) they will be called back to the corporations. Such kind of transfer (promotion exercise) was commonly practised in the SEDCs.

Table 5.5 shows factors affecting the selection and promotion process which were answered by 50 managers and senior officers across 11 SEDCs. All of them agree that in selecting and promoting employees at all levels, the decisions were first subjected to government approval for additional positions.

**Table 5.5**  
**Factors Affecting and Influencing Selection and Promotion**  
**n = 50**

	<b>High level Position</b>	<b>Middle Position</b>	<b>Supervisory Position</b>
Selection and promotion Subjected to government approval of new posts	50 (100%)	50 (100%)	50 (100%)
No definite appraisal system, not following appraisal report,	25 (50.0%)	28 (56%)	27 (51.9%)
Personal Ties	7 (14%)	6 (12%)	4 (7.7%)
Power of general manager	8 (16%)	7 (14%)	7 (14.0)
Political Interference	3 (6%)	-	-
No Factor affecting promotion and selection	7 (14 %)	(18 %)	14 (26.9 %)

In order to support the argument about the limited opportunity for advancement, i.e. promotion, a question was asked, "Is there any promotion opportunity in this organisation?" Of 58 respondents who answered, about 66 percent felt that there was no promotion opportunity or did not know about any promotion plan for them. Only 32.4 percent felt that there was a career plan (see Table 5.6).

**Table 5.6**  
**Promotion Opportunities**

	n = 58 Number of Respondents
Yes	22 (32.4 %)
No	19 (27.9%)
Do not know	26 (38.2)
Should be	1 (1.5 %)

In this study, it was found that there were four main reasons why managers choose to stay in SEDCs, even though their career aspirations (promotion and opportunities for advancement) are quite limited as compared to working in other federal agencies. or in the private sector. These were regional and local attachment, comparatively good benefits, social interaction and job security. I will now elaborate each of these in turn.

#### **i. Regional and Local Attachment**

Most managers were born locally in each respective state. Many are quite reluctant to move outside the states for various reasons, including economic and social factors. For many who work in the east coast and in the north, for instance, this location is more favourable than in the high cost of living states such as Selangor, Penang and Johor. In the cases where there are no "suitable"

external local candidates to fill certain important managerial positions, such as the general manager and finance manager, the Board, generally, can appoint local born seconded-government senior officers. In Kelantan and Melaka SEDCs, for example, the general managers are seconded government officers. There are also cases where managers who worked in more established organisations in Kuala Lumpur gave up their career prospects and joined the SEDC in their small home towns precisely because they valued its location so highly. Given the fact that SEDCs are closed organisations in the sense that they are subject to the legislation of each respective state, the probability of being transferred from one SEDC to another SEDC or from one SEDC to another government department across the state rarely exist. Any employee seeking to work in another public or private organisation must first resign from the SEDC. This is obviously an important disincentive to job mobility. In addition, there is no economic reason for the SEDC employee to leave for another government department when the terms of employment, including job security, pay and benefits, are exactly the same. Other social factors such as the collective value of being close to one's family and the low level of achievement motivation (relatively do not seek demanding, performance-based but higher pay job) tend to exert a strong influence their career aspirations. Many managers interviewed are generally happy working in their own place of birth and speaking their own dialects.

## **ii. Comparatively Good Benefits**

The employees of the SEDCs enjoy the same employment benefits as those who work in any government departments, agencies and statutory bodies, such as MARA (Council of Trust for Indigenous People) and UDA (Urban Development Corporation). These bodies are also referred to as public enterprise organisations. In addition, less stressful working conditions like standardised working hours and long holidays with pay and less work pressure,

a lack of performance-reward appraisal system, and promotion generally based on seniority, are perceived as the trade-off for choosing the SEDC.

### iii. Social Interaction

In addition, the working environment in the public sector is a key factor in the Malay managers' relative satisfaction with their employment. They identified the social interaction among members of a similar ethnic group as especially important to them as was the presence of Malay chief executives and functional managers. All of these factors have added a degree of social "easiness", "comfort" and compatibility that the managers value highly. As I stated in the earlier section of the chapter, the Malay culture is highly symbolic and very influential in the lives of Malay people. Table 5.7 indicates such feeling: 94 percent are satisfied with the work place; only 6.0 percent are not.

**Table 5.7**  
**Social Interaction**

	<b>Number Responded</b>	<b>Percentage</b>
Satisfied	63	94.0 %
Not so / Not at all Satisfied	4	6.0 %
Missing	6	-
	<u>73</u>	<u>100%</u>

Table 5.8 and Table 5.9 illustrate the level of managers' satisfaction with their relationships with superiors and with colleagues. In regard to their relationships with superiors, more than 87 % of the respondents are satisfied and less than 13 percent are either dissatisfied or indifferent. In addition, about 88 percent are satisfied with their relationships with colleagues.

Table 5.8  
Relationship with Superiors

	Number Responded	Percentage
Satisfied	59	86.8
Dissatisfied	4	5.8
Indifferent	5	7.4
Missing	5	-
Total	<u>73</u>	<u>100.00</u>

Table 5.9  
Relationship with Colleagues

	Number Responded	Percentage
Satisfied	62	87.3
Dissatisfied	4	5.6
Indifferent	5	7.1
Missing	4	-
Total	<u>73</u>	<u>100.00</u>

#### iv Job Security

The 1980s have seen grave threats to employee job security in the Malaysian economy as a whole. This is the result of various forces that include: general economic conditions that have resulted in bankruptcies, increasing emphasis by the government on reducing its existing administrative employees and the increasing effort toward privatisation of government corporations and a much tighter government policy towards recruitment and promotion. By contrast, the survival of the SEDCs is publicly guaranteed by the Minister responsible for public enterprises. Hence among government corporations and departments, the SEDCs provide relatively greater job security. Employee job



security lies in the hand of the respective Chairman and the board. The state chief minister (the chairman of a SEDC board) and the general managers must ensure that a corporation meets the objectives of the NEP of solving the problem of disparity in the ownership and control of economic wealth among various ethnic groups, particularly in helping the Bumiputra in trade and commerce, urban activities, employment and training opportunities and in raising rural-based Malay income level. The SEDCs are assured that they can never be closed down for social and political reasons. For example, it was reported that, among some of the measures taken by the government to help the financially problematic projects undertaken by the SEDCs were the rescheduling of loans, interest being frozen, the allocation of grants to offset loans, extended tax exemption and direct financial aid to some projects. In addition, M\$10 million in development projects like tourism infrastructural projects have been allocated to the SEDCs. It was also claimed that the government has extended M\$29 billion in equity, loans and guarantees to government owned companies. Thus, the role of the SEDCs ensures job security and life employment for their employees.

For the managerial respondents of this study, job security and adequate earnings seem to be consistently more important than career advancement. First, as Table 5.10 reveals more than 83 percent of respondents are satisfied with job security. Second, as Table 5.11 indicates, job security was the job aspect that was prioritised by most respondents (53.3%) followed by career adequate earning (33.3%). Career advancement was prioritised by only 26% of the respondents. As such, this study discovers that, even though their career progress is very difficult to achieve in the SEDCs, Malay managers tend to stay in the SEDCs rather than moving into the private sector, such as in the manufacturing industries. In this sector, there are major problem regarding job security. The Malaysian Trade Union Congress (MTUC) recently revealed the extent of the exodus of Malaysian labour to Singapore and Taiwan because of

contract labour practices in the Malaysian manufacturing sector. It seems there are no job security problems in these two countries (New Straits Times, 2.11.1989).

**Table 5.10**  
**Job Security**

	Degree of Satisfied	Percentage
Satisfied	57	82.6
Dissatisfied	1	1.4
Indifferent	11	15.9
Missing	4	-
Total	<u>73</u>	<u>100.00</u>

**Table 5.11**  
**Aspects of the Job**

Percentage Responded

	Most important	Important	Somewhat / Less important
Job security	53.3 %	27.4%	19.4%
Adequate Earning	33.3 %	35.1%	31.6%
Career Advancement	26.2%	37.7%	36.0%

I will discuss managers' attitude to job security in more detail in the following section of this chapter dealing with orientation to work.

### 5.1.3 Orientation To Work.

The findings show that the limited opportunity for career mobility in the SEDCs does not seem to discourage Malays from joining a public sector which ensures job security and has relatively better pay scheme, taking into consideration their work expectations are low. One of the key findings regarding orientation to work was that managers were prepared to accept relatively few career opportunities in preference to the high level of job security which they enjoyed. Table 5.12 indicates how the managers respond toward career prospects in SEDCs. Only 39% agree that there are promotional opportunities. About 61% see that there is no career prospect because SEDCs, according to them are just like any government departments.

**Table 5.12**  
**Career Prospect**

	<b>Number of managers satisfied</b>	<b>Percentage</b>
Satisfied	27	39.1
Dissatisfied	18	26.1
Indifferent	24	34.8
Missing	4	-
Total	<u>73</u>	<u>100.00</u>

Most of them gave the same reason for their stay in SEDCs. One unit manager in the largest SEDC gave her personal views about working in a government corporations like the SEDC. She said,

"Working in an SEDC is much better compared to the private sector, especially in term of job security. Right now, when the economy is not too good, there is risk in the private sector. Moreover, many graduates are unemployed and I was lucky to be employed and managed to earn enough for my own land and a house."

Data in Table 5.13 and Table 5.14 represent the response of managers toward pay. About 56 % were satisfied with the present pay; 21.7% were not dissatisfied, and 13% perceived the pay as no different than in other government departments (Table 5.13).

**Table 5.13**

**Satisfaction with Pay**

	Number of managers	
	Degree of Satisfaction	Percentage
Satisfied	45	56.2
Dissatisfied	15	21.7
Indifferent	9	13.0
Missing	4	—
Total	<u>73</u>	<u>100.00</u>

Table 5.14 shows the reasons for satisfaction with pay. About 95 % felt positive about the government pay structure (including benefits), taking into consideration their less challenging work.

**Table 5.14**  
**Reasons Given For Satisfaction with Pay**  
**Percentage**  
**Responded**

Government Salary Scale .	95.1%
Salary Based on Performance	3.3 %
Personal Value for Money	1.6 %
	<u>100.00 %</u>

The other reasons for a high percentage of satisfaction on pay among managers are mainly due to the low degree of job specialisation, job responsibility and accountability of managers. This study found that in the SEDCs the majority of managers, except a few accountants and architects occupying the finance and technical functions, are not professionals i.e. they have a certain level of general business and economic education. The majority of managers possess university degrees in economics, business and social science and arts respectively with the exception of technical managers and accountants who are mainly working in the technical or project and finance divisions, most managers are attached to various departments without regard to degree to their degree specialisations. One consequence is that there are no specialised positions and special salary scales (or additional professional allowances) for professional managers. For instance, there are no specialised personnel managers at either senior or board level and where the personnel managers are employed, they have not been granted much status in most SEDCs.

Table 5.15 indicate about 71% are satisfied with the communication from senior management and about 29 % are either dissatisfied or indifferent.

**Table 5.15**  
**Communication With Management**

	<b>Number Responded</b>	<b>Percentage</b>
Satisfied	50	71.4
Dissatisfied	13	18.6
Indifferent	7	10.0
Missing	4	-
Total	<u>73</u>	<u>100.00</u>

Data in Table 5.16 represents the utilisation of managers' experience and education and training. About 69% agree that their education and experience are being utilised and about 27% did not agree.

**Table 5.16**  
**Utilisation of Experience and Training**

	<b>Number Responded</b>	<b>Percentage</b>
Satisfied	48	68.6
Dissatisfied	19	27.1
Indifferent	3	4.3
Missing	4	-
Total	<u>73</u>	<u>100.00</u>

Table 5.17 indicates that about 68% are satisfied with the degree of freedom to define content and pace of their work, while 30% are dissatisfied and indifferent.



Table 5.17  
Freedom To Define Content and Pace of Work

	Number Responded	Percentage
Satisfied	47	68.1
Dissatisfied	15	21.7
Indifferent	7	10.1
Missing	4	-
Total	<u>73</u>	<u>100.00</u>

The above data on the degree of interdepartmental relationship reflect a high degree of cooperation among managers and departments tend to support the following propositions and corollary (Negandhi and Prasad 1971):

- i. All other factors being the same, the firms pursuing permanent employment policies are likely to have more cooperative attitudes among their employees than the firms pursuing temporary employment.
- ii. The greater the differences in education attainment of younger and older employees, the greater the hostility and uncooperative attitudes among them.
- iii. The greater the difference in social status between supervisors and blue collar workers, the lesser cooperative attitudes among managers.
- iv. The firms with clear statements of their objectives, policies and procedures, role definition and job classification, and high educational attainments and training of their executives, are more likely to have cooperative interdepartmental relationships than the firms with fuzzy statements of their objectives, policies and procedures, role definition and job classification, and lower level of education and training of their executives. This finding emerged in the present study will be discussed in more detail in the following chapter.

## 5.2. THE MANAGEMENT OF THE SEDCs : The Lower Status of the Personnel Department.

As outlined in chapter 3, the literature on personnel management suggests that the strategic importance of human factors and management's concern for human resource planning and development should be reflected in both the high hierarchical status and the effective organisation of the personnel department. The importance attributed by personnel senior management to the function should also be discernable from the strategic and significant role allotted to personnel managers at board level. In addition, the existence of a personnel department which is separated from the general administration department and is managed by the specialist personnel managers or executives is a crucial and basic factor indicating the relative importance of the personnel function to the overall strategy (corporate and business) of the corporation, such as profit and behavioural effectiveness.

However, in contrast to the prescriptions of the personnel literature, the research found that the need for change of the personnel department from the traditional routine record keeping role to a more proactive and strategic role is neglected and less recognised in many SEDCs. It was found that 8 out of 11 SEDCs do not have a separate personnel function and a specialised trained personnel manager. Generally, in other remaining 8 SEDCs the personnel function is a part of the general administration department as Table 5.18 reveals. These administration managers were found to have little knowledge and experience in personnel management.

**Table 5.18**  
**Separately Organised Personnel Department in**  
**the SEDCs, 1989**

	Separate Personnel function	Separate general administration	Personnel as part of general admin.. function.
Johor	Yes	Yes	No
Kedah	-	-	Yes
Kelantan	-	-	Yes
Melaka	-	-	Yes
Negeri			
Sembilan	Yes	Yes	No
Pahang	-	-	Yes
Penang	-	-	Yes
Perak	-	-	Yes
Perlis	-	-	Yes
Selangor	Yes	Yes	No
Terengganu	-	-	Yes

The extent to which specialist personnel managers are employed in SEDCs and their relative discretionary power is explored in Tables 5.19 and Table 5.20. The table focuses on who controls i.e. power not status. The evidence shows that the majority of the managers and officers perceive that the personnel managers or officers who are assigned to take charge of personnel administration are not trained or specialised personnel managers. In addition, most personnel functions in most SEDCs are handled by the administration manager who then assigns one officer and a few clerks to handle personnel records, covering pay, administration and leave, sickness etc. Together, these findings confirm the view that personnel management as a specialist managerial function is often absent in Malaysian SEDCs. Even when it is present, however, personnel specialists are not guaranteed to enjoy power and control over the practices of personnel administration.

**Table 5.19**  
**The Employment of Specialised (Trained) Personnel Manager**  
**in the Organisation**

n = 73

	Percentage Responded	
	Yes	No
Specialised personnel manager	35.6 %	64.4 %

**Table 5.20**  
**Who Controls Personnel Administration**

n = 72

	Number Responded	Percentage
Administration Manager	47	65.3 %
Personnel Executive	22	30.6 %
Finance Manager	3	4.2 %

The findings are reinforced by the widespread view of respondents that the role of the personnel function in the organisation is not very important (n = 68). About 72.6 percent (49 out of 68) perceived that personnel is not the most important function in the organisation. Only 29.4 percent (19 out of 68) felt that the personnel manager is the most important in their respective organisations (Table 5.21).

Table 5.21  
The Degree of Importance of the Personnel Manager  
in the Organisation

n = 68

	Percentage Responded
Most Important	29.4
Important	30.9
Somewhat important	32.4
Less important	4.4
Not important	2.9
	<hr style="width: 10%; margin-left: auto; margin-right: 0;"/> 100.00

In general, the function of the personnel department is so widely perceived to be less significant because most personnel decisions, including employment, training and provision of welfare facilities are either shared or are not the responsibility of the personnel department. The personnel function is not given the opportunity to prove its significant contribution to the overall development of the corporation, either economically or morally. Such decisions in most SEDCs are either made by the general managers or by the board of directors. Table 5.22 shows that 26 respondents who are very familiar with the role of personnel departments, agreed that the personnel departments have no complete decision power on personnel matters.

**Table 5.22**  
**The Decision Making Power of the Personnel Department**  
**n = 26**

	Percentage Responded		
	Degree of Responsibility		
	Complete	Shared	No
Number of managerial personnel to be employed	4.0	80.0	16.0
External recruitment	7.7	65.4	26.9
Promotion of supervisory staff	15.4	57.7	26.9
Salary determination of new staff	26.9	23.1	50.0
Training programme	42.3	50.0	7.7
Provision of welfare facilities	4.6	42.3	23.1
Area of work and responsibility of specialised department	23.1	65.4	11.5
Area of work and responsibility of line department	4.0	72.0	24.0
Establishment of new department	19.2	38.5	42.3
Establishment of new positions/	8.0	48.0	44.0

The research also found that personnel functions were considered less important and most of the personnel jobs (8 out of 11 SEDCs) were being assigned to female officers who were not trained in personnel management. Out of 84 departmental managers found in eleven SEDCs, 15 (or 18 percent) were female, of which 10 (or 67 percent) were assigned to personnel jobs, 3 (or 20 percent) were in finance or marketing and 2 (or 13 percent) were in other staff units, such as in research and development, computing and corporate affairs (Table 5.23). Such a high percentage of female managers in "staff" departments



can be due to what Collinson (1988) describes as "stereo-typing" and "job-sex typing" where certain managerial functions are regarded as "women's work". In the case of the SEDCs, women are associated with the staff jobs of personnel and general administration in particular. In another case, an additional responsibility to deal with building insurance has been assigned to a female personnel officer. This research found that the manager who had been transferred to the SEDC from the subsidiary company was in charge of the personnel work. He had no background in personnel work whatsoever.

Inevitably, the downgrading of the personnel department creates major problems for the implementation of personnel practices. However, problems of implementation seemed to be much greater still in those SEDCs where there was a complete absence of a separate and specialist personnel function devoted to personnel function. The ad hoc nature of policies and procedures was particularly noticeable in organizations which did not have specialized personnel departments. At the same time, these SEDCs had little concern towards employee development and they had tended to "play safe" by strictly following the regulated personnel guidelines, rules and procedures. For example, even though several of these SEDCs implemented personnel practices such as annual training and development programmes and performance evaluation systems, personnel management in these organisations is usually treated as a non-strategic function. As a consequence, training and development programmes and performance appraisal systems often have no connection with the business plan, strategy and business competitiveness. They are just routine administrative events and procedures.

Table 5.23  
Number Of Female Managers

SEDCEs	Deputy General Manager	Admin. Manager	Asst. Manager (Personnel)	Asst. Finance Manager	Housing	Investment	Corporate Affairs
Selangor				X			X
Johor		X	X			X	
Penang		X	X		X		X
Pahang			X				
Perak			X				
Terengganu		X					
Kelantan							
Kedah	X						
Negeri Sembilan			X				
Melaka							
Perlis			X				
Total	1	3	6	1	1	1	2

Managers were asked about the importance of the personnel manager to the organisation. Many of them tended to agree that the personnel department, provided it is managed by a personnel specialist who has some degree of authority, expertise and independence, cannot play an important role in employee career development, in formulating the personnel policies on employment, training, welfare and benefits. Many managers consistently complained that the personnel function is not functioning effectively. During research interviews, the similar comments were expressed by different line managers of those SEDCEs which do not have separate personnel functions. Interestingly enough, these corporations are least successful corporations, a point to which I shall return later.

Tables 5.24 to Table 5.26 show how personnel policies and their effectiveness were found in SEDCs with a specialised personnel function and in SEDCs without specialised personnel function. Personnel matters relating to recruitment, selection and promotion of employees are based on credentials and merit. In these organisations personnel policies relating to selection, promotion and training and development are more effective. In addition, the employee suggestion systems like frequent formal and informal meetings and discussions and provisions of suggestion columns in monthly bulletins, were relatively more encouraged than in organisations which did not have specialised personnel function.

**Table 5.24**  
**Cross Tabulation - Chi Square**

**Key feature of Personnel Policy**

	SEDCs with Specialised personnel Function	SEDC with no Specialised personnel function
Strictly following Government Policy	16.67	39.02
Commercially based	62.50	19.51
	N= 24	N = 41
Chi- Square	DF    Value	Prob.
	4      12.638	0.013

Table 5.25

## Cross Tabulation - Chi Square

## The Effectiveness of the Personnel Policy

	SEDCs with Specialised personnel Function	SEDC with no Specialised personnel function	
Effective Personnel Policy	43.48	20.51	
	N = 23	N = 39	
	DF	Value	Prob.
Chi- Square	3	8.996	0.029

Table 5.26

## Cross Tabulation - Chi Square

## Employee Suggestion System

	SEDCs with Specialised personnel Function	SEDC with no Specialised personnel function	
Organisation has an employee suggestion system	65.22	26.83	
	N = 23	N = 41	
	DF	Value	Prob.
Chi- Square	1	9.002	0.003

The effectiveness and the degree of management involvement in the implementation of sophisticated personnel policies and practices vary between those SEDCs with specialized personnel function and those with no specialized personnel function. In general, the effective personnel management practices like manpower planning, personnel policies on recruiting and selecting new employees, promotion, training and development, pay and rewards, performance appraisal systems and employee recognition, have been given considerably more attention in these SEDCs which have specialised personnel departments. This indicates that one determinant of the effectiveness of personnel practices is the extent to which there is a separate specialised and decentralised personnel unit.

### 5.3 CONCLUSION AND SUMMARY

In this first empirical chapter, I have discussed some of the central characteristics of the managerial respondents of this study. The recurrent theme is that SEDCs tend to be dominated numerically by indigenous Malay employees. The Malay cultural and religious background, in fact, has also preconditioned Malay interests and preferences for working in the SEDCs (public sector ) rather than in the private sector, although in these SEDCs career opportunities are poor. These cultural differences based on religion, ethnic, social background, as well as other dimensions of national culture (Hofstede 1990: 394-395) significantly affect personnel practices in the SEDCs. For instance, as the empirical findings demonstrate, the provisions of spiritual and religious facilities and supports, job security as well as less work pressure and social compatibility among members of one ethnic group tend to suit Moslem-Malay social and work values. In important ways, this facilitates the persistence of a strong Malay culture in many SEDCs. Indeed, research interviewees responded very favourably to the fact that they worked in such a strongly Moslem-Malay

dominated culture. However, the research also found that the lower status of the personnel department which can be a potential catalyst for change crucially impacted on personnel practices and the relative absence of personnel professional in senior positions. It also significantly limited the SEDCs' ability to change. Yet, as the next chapter reveals, this acceptance of the status quo created organisational problems for SEDCs particularly because many lacked effective or systematic personnel policies. Given this pervasive attachment to Malay culture, certain respondents revealed a scepticism about the possibility of introducing more effective personnel policies, practices and/or managers. This whole question will now be examined in more detail in the following chapter where the relative absence of personnel procedures and their organisational consequences will be discussed in more detail.

## CHAPTER 6

THE PROCESSES AND CONSEQUENCES OF  
INEFFECTIVE PERSONNEL MANAGEMENT

## 6.0 INTRODUCTION

This chapter highlights the relative ineffectiveness of personnel practices and the absence of specialised personnel departments in many of the SEDCs. The discussion suggests that the absence of separate specialist departments and the ineffectiveness of personnel practices has various negative consequences for SEDCs. The processes and consequences of ineffective personnel practices will now be revealed by a detailed exploration of various aspects of personnel practices such as manpower planning, selection and promotion, appraisal system, training and development, payment and other personnel (motivational) practices.

The study discovered that the personnel functions in many SEDCs were handled by the administration managers who were not specialists in human resource management (see Table 5.18). As such many line managers believed that personnel policies and practices were ineffective because, first, personnel policies were not clearly designed and second, the personnel function frequently seems to be undervalued in many SEDCs. Many managers responded in terms of their dissatisfaction over the formulation and implementation of personnel policies. In addition, the present government policy, particularly on selecting, promoting and rewarding employees is no longer appropriate and ineffective in the SEDCs which are being expected (by the federal government) to participate profitably in trading and commercial activities, just like any other private enterprises. Table 6.1 shows that about 71 percent of the managers who responded felt that the personnel policy



which is strictly based on government personnel guidelines and procedures is either not effective, or else is not generally implemented.

**Table 6.1**  
**The Effectiveness of the Personnel Policy**  
**n = 62**

	Percentage Responded
Effective	29.0 %
More or less Effective	21.0 %
Not effective/ Not implemented	50.0 %

The following comments made by line managers also highlight various negative consequences for the SEDCs where there is an absence of either a personnel department and/or effective personnel practices.

- i. "There is no structured training programme."
- ii. "There are unclear personnel practices in relation to staffing policy."
- iii. "Training is not seen as an important activity. It is irrelevant and there is no structured training programme. Often, line managers select and propose training programmes to the administrative manager."
- iv. "The senior administrative officer (he/she is also in charge of personnel matters) is burdened with other general administrative works."
- v. "Manpower planning is poor in this organisation."
- vi. "Personnel matters are referred to the administrative manager and not to the personnel manager."

## 6.1 MANPOWER PLANNING

As chapter 3 discussed, it has been suggested that better manpower planning makes it more likely that personnel programmes will be linked to the requirements of the workforce forecast and business plan. It has also been suggested that the environmental factors alone, such as stable business conditions and high skill levels required, are not the determining factors for manpower planning (Hendry and Pettigrew 1986: 3-8). Rather it has been argued that managers' perception of the competitive advantages of planning will determine their use of, and commitment to, personnel planning. Nevertheless, the research in the SEDCs discovered that managers generally had a low regard for manpower planning in the SEDCs. This study found that many SEDCs did not give much attention to manpower planning and its relationship with the business strategy and diversification of activities. A lack of concern for reducing administrative costs was also reflected in the large percentage of administrative personnel to technical personnel (refer Table 1.1).

The majority of managers agree that manpower planning is conducted either on an ad hoc or on a limited basis. In some cases, there is no manpower planning at all. This finding is confirmed by Table 6.2 which shows that 87.7 percent of managers responded that manpower planning is not done extensively and continuously, of which 17.8 percent felt that there is no strategic manpower planning at all. The personnel department is seen to be solely responsible in keeping employee figures, i.e. numbers employed and vacated.

Table 6.2  
Manpower Planning  
n = 73

	Percentage Responded	
	Yes	No
Extensive and Continuous manpower planning	12.3 %	87.7

**If not how is manpower planning formulated ?**

Ad hoc manpower planning	34.6
Limited planning	35.2
No manpower planning	17.8

The research also found that manpower planning is generally based on financial performance and on the number of business projects undertaken by the corporations, rather than on systematically structured manpower planning objectives and continuing long-term activities. For instance, during the period of economic slowdown in the mid-1980s, few projects undertaken as compared with the number of projects undertaken during the period of economic boom (late 1970s to early 1980s) and the period of economic recovery (1987 and onwards). During the recession periods, there was no recruitment of new employees and the organisational structure had also changed. However, the situation changed during the period of economic recovery. Many SEDCs restructured their organisations, expanded their activities, promoted their managers and increased their training programmes. Such occurrences reflect the relationship between economic performance and personnel practices.

An exceptional case was found at one small SEDC in the north east. In this SEDC, a few the senior managers had just been transferred or promoted to new positions. One of the senior managers explained that the primary reason for the adoption ad hoc manpower planning in the SEDC was mainly due to economic and financial performance. According to the senior manager, the formula is that when there are more projects and business activities, more personnel will be employed. He added further,

"This year of 1989 (the period of economic recovery), the corporation has established three new departments, making a total of 10 departments, viz. corporate planning, investment and industrial development. In this restructuring exercise, transferring and assigning of managers and officers to new positions are regarded as promotion."

In the other remaining SEDCs, most line managers, (i.e. from finance, investment, and technical divisions) consistently confirmed the ad hoc nature and non-planning of manpower practised in their respective corporations.

In another case, one acting finance manager commented,

"The manpower planning is really a problem. There is no manpower planning in this organisation. "

Then I asked him about his opportunity for promotion (since he is only an acting manager) to be a finance manager. He immediately answered,

"I am not very sure whether I will hold this position in the near future. Who knows? there will be someone (an outsider) coming to take this position." Such an answer indicates that there is unclear recruitment, selection, promotion and succession policies in the organisation.

A senior officer who has been seconded from the federal government considers that his stay in the organisation is not permanent, unless his position can be upgraded into a high pay category. In this SEDC, there are three divisional managers and seven senior unit officers. As such, the positions of senior officers are stagnant and their career ladders are blocked because of limited higher level positions.

The above few comments indicate that manpower planning in many SEDCs was not really coherent with personnel activities, such as recruitment, training, promotion nor with a business plan. In so far as this is the case, it can certainly be argued that the lack of manpower planning may influence personnel policy and practice in the SEDCs. In particular, it may reinforce the disjuncture between policy and practices. To some extent, this study discovers that the personnel policy and practices prevailing in the SEDCs fell short of those described in the literature. It even creates conflict, disagreement and tension among managers (as described in later part of the chapter).

## 6.2 SELECTION AND PROMOTION PRACTICES

In the SEDCs, the selection and promotion processes - the most critical functions - were usually highly centralised. Job descriptions, job specifications and job evaluations that are interlinked with pay and benefits were no longer applicable because of standardised government pay structures and the discretionary power of the board and the chief executive. The structure of power and political action has a direct bearing on the conduct of the selection and promotion processes (Legge 1978). As a result, the selection and promotion decisions tend to be subjective, vague, and cause considerable contention. Consequently, there was a misfit of employees to the jobs. Managers with different academic backgrounds and

specialisations hold different job responsibilities in different areas within the SEDCs and their subsidiary companies.

In terms of recruitment, selection and promotion policies (whom to hire and promote), most SEDCs (9 out of 11) did not explicitly state the philosophy or policies for selecting and promoting employees. Personnel policies such as "Promotion is not based on seniority but on individual performance," "In recruiting, we take the best," or "Promotion is based not only on seniority but on identified potential" were explicitly stated only in Johor and Pahang SEDCs .

Generally, in the SEDCs, there is less opportunity for career advancement as Chapter 5 discussed. The number of managerial positions like the heads of departments were limited. In addition, the government pay structure and other terms of services that are basically tied up positions (promotions) with different pay scale tend to cause a career block to managers. Such conditions were seriously affecting the junior managers who have to wait for vacant positions or for some senior officers to retire. Respectively, data in Table 6.3 and in Table 6.4, for example, show that about 68.5 percent of managers who had worked for more than 11 years were being promoted only once; 22 percent were promoted twice; and about 9.6 percent were promoted three times and more. The data also shows that there is no promotion for those who have being working in the same organisation for an average of 5.6 years. Those who worked for an average of 11-12 years, were promoted once or twice. The officers or managers who have been promoted three times were those who had worked for an average of 13 years. Interestingly, this study found that those who were promoted four times were those (two managers) working in a relatively small size SEDC - the former has an experience of 4 years, whereas, the latter had been working for 8 years. The finding suggests that seniority

system rewards experienced employees and their perceived loyalty to the SEDCs. Such seniority systems tend not to encourage or develop initiative in the individual (Kamoche 1991: 10).

**Table 6.3**  
**Number of Promotions**  
**within the Organisation**

n = 73

Number of promotion	Nos. of years worked in the Organisation ( Average )	Number of managers	Percentage
0	5.6	22	30.14
1	11.75	28	38.36
2	11.38	16	21.92
3	13.0	5	6.85
4	6	2	2.74

I asked managers about their views regarding the validity and fairness of decisions made by the promotion committee. One female senior assistant manager raised her dissatisfaction over the promotion decisions in her organisation. According to her, promotion decisions were not really based on seniority or performance. She believed it was a matter of how close an individual is with the top executives. The chief executive can promote any person he wants. She was comparing her situation with another female colleague (who had joined at the same time as her ) who had been promoted as a head in one of the technical units. This kind of promotional exercise had, in fact, come to my knowledge when I first met her colleague whom she has just mentioned. Her colleague told me how lucky she



was for being promoted much earlier than a few others who joined the corporation at the same time as she had. She also mentioned a few officers and one of them was her female senior assistant manager.

**Table 6.4**  
**Relationship Between Working Experience and Promotion**  
**n = 72**

Years of Experience	Respondents Number of times promoted				
	No Promotion	Once	Twice	Three Times	Four Times
1	2	-	-	-	-
2	1	-	-	-	-
3	2	-	-	-	-
4	2	1	-	-	1
5	2	1	1	-	-
<b>Total</b>	<u>9</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>1</u>
6	6	2	-	-	-
7	2	1	-	1	-
8	2	2	2	-	1
9	-	1	3	-	-
<b>Total</b>	<u>10</u>	<u>6</u>	<u>5</u>	<u>1</u>	<u>1</u>
10	1	2	1	-	-
11	-	3	1	-	-
12	-	3	1	1	-
13	-	-	1	-	-
14	-	1	3	1	-
<b>Total</b>	<u>1</u>	<u>9</u>	<u>7</u>	<u>2</u>	<u>-</u>
15	1	6	2	1	-
16	-	2	1	-	-
17	-	3	-	1	-
<b>Total</b>	<u>1</u>	<u>11</u>	<u>3</u>	<u>2</u>	<u>-</u>

In general, the following reasons for unfair promotional practice were mentioned (almost every time) by managers of the SEDCs. Among them are:

- i. Personal preference and recommendation of the top executive and political interference.
- ii. Management discretion and insensitivity to selection and promotion objectives.
- iii. Good personal relations, i.e. "whom you know," rather than "what you know."
- v. Managerial level employees have more promotion opportunities and they can be easily promoted than lower level employees.

As a consequence of limited promotion opportunities, it has been claimed that there are not many professionals like accountants and architects who want to stay in these organisations. Many have left, especially during the period of shortages of professionals in the private sector. When I asked the reasons for the shortage of such professionals, one senior executive of a successful corporation, who had been working for more than 19 years, replied:

"SEDCs are now strictly following the public service policy in matters pertaining to pay, promotion and schemes of service. Right now SEDCs are just like other government departments and because of this situation, SEDCs are not attracting even Malay professionals. Even now I have a problem of recruiting a qualified technical staff, even though there is a vacancy for so long."

I raised another general questions relating to the future role of SEDCs as government corporations in economic development and the present government intervention in their personnel policy on promotion. One deputy general manager gave his views,

"Like now, SEDCs are more or less like other government departments. Any vacancy and promotion for instance, cannot be filled without Public Service department's approval and the pay is totally based on standardised government pay structure. As a consequence, SEDC is not really attractive to professionals. The personnel policies and practices of the SEDCs should be reviewed."

The above statement indicated that the SEDCs were restricted to formulate and implement their own recruitment and payment policies. As a result many SEDCs failed to attract and retain Bumiputra professionals in the SEDCs.

### 6.3 APPRAISAL SYSTEM.

Although various studies have focused on employee satisfaction and dissatisfaction with specific appraisal programmes, such studies tell little about how employees generally regard performance review. It was also found that little if any evidence has been published on the question of public employees' attitudes regarding performance appraisal as the general process. Thus, it is imperative to know whether public sector managers consider the creation of a "good" (the potentiality of the appraisal process) performance appraisal systems to be both a laudable and practical undertaking or whether they view performance appraisal itself as an impossibly subjective and alienative process not worthy of serious consideration (see Lovrich et. al 1980: 215).

In many SEDCs, the most common instrument used and the common basis for rewarding and promoting employees was an employee annual report. Generally, such employees' written reports are filled in by the respective heads of departments who then submit them to the personnel department. Although such appraisal procedures are carried out by all the SEDCs, the question of effectiveness, reliability, validity and fairness of the performance assessment tend to be one of the most critical issues according to research respondents. For instance, most managers felt that merit rating, which basically depends on the superior's subjective judgement of the employees' personality and traits, substantially influences the individual performance evaluation. The performance report is used only when there

is a promotion exercise, rather than being used as a performance review. In addition, unclear performance criteria, a lack of performance evaluation objectives, and non-linkage between pay and performance prevail. Above all, career blocks, (i.e. B-group non-degree employees cannot be promoted to A-group (degree holders) officers in any government departments), imposed by the Public Service Department on employees, render the performance appraisal system nothing more than just a yearly routine administrative exercise. So it does not motivate people as it was designed to do.

The appraisal system, methods of appraisal systems, and reasons given for the ineffectiveness of the prevailing appraisal system in the eleven SEDCs shown in Tables 6.5 to 6.6.

Table 6.5 shows that, in general, an annual written report using a standard form usually reported by respective immediate superiors is normally used. About 82 percent (n= 55) confirm that superiors' written reports are used to evaluate employees' performance. Individual performance, personality and traits are basis for the evaluation. Peer-rating, self-rating and Behaviourally Anchored Rating scales (BARS) are not usually used (see Table 6.6).

The inefficiency and ineffectiveness of many appraisal systems, including improper scheduling (the time period during which evaluation forms are distributed and collected to and from all employees) and performance feedback (interviews) were also raised by managers (see Table 6.7 and Table 6.8). Most of them (n = 48) claimed the following factors cause the weakness of the appraisal system. This reflects inadequate personnel practices in the SEDCs:

- i. There is no follow-up or feedback of the reports. As such, employees do not really know about their judgement.
- ii. Most of the evaluation scales are very subjective rather than objective and specific i.e. good and poor.
- iii. In the case of promotion, written performance reports (provided by superiors) alone are not sufficient. Other criteria such as group performance, peer rating and self-rating should be considered.
- iv. Favouritism and top management knowing whom they want to promote

**Table 6.5**  
**Appraisal System**  
**n = 67**

	Percentage Responded
Periodic Report, Standard form, Opinion of Supervisors.	55 (82.1 %)
No formal system	9 (14.4 %)
Ad hoc report	1 (1.5 %)
Top management knows whom to promote	2 (3.0 %)

**Table 6.6**  
**Methods of Appraisal**  
**n = 66**

	Percentage Responded
Behavioural Anchored Rating Scale (BARS)	2 (3.0 %)
Peer Rating	1 (1.5%)
Self-Rating	1 (1.5%)

**Table 6.7**  
**Effectiveness of the Appraisal System**  
**n = 67**

	Percentage Agree
Effective Appraisal System	33 (49.3 %)
Non- effective	30 (44.8 %)
Not really effective	4 (6.0 %)

Many managers who were interviewed felt that superiors were evaluating their personal achievement and performance as the most important criteria for reward, i.e. promotion. However, the criteria used to evaluate performance were widely seen to be highly subjective. Other subjective behaviour, such as getting along with others in their own department and with people in other departments was less important. To that extent, group performance and the performance of their subordinates are seen to be less important as compared with personal accomplishment. Data in Table 6.9 support the arguments: 44 managers or about 60 percent agreed that individual accomplishment is the most important basis for rewards; 27 managers or 40 percent perceived performance of the work (project) group is second most important.

**Table 6.8**  
**Reasons Given for Ineffectiveness of the Appraisal System**  
**n = 48**

	Number Responded
No follow up ( performance feedback); No objective of appraisal; performance measure are too subjective; Insufficient data to rely on one written report (need more than one method); In practice, reports are less important	28 (58.3 %)
No group performance Criteria	2 (4.2 %)
Favouritism	3 (6.3 %)
Insensitivity of the appraisal (not willing to give a real evaluation)	1 (2.1 %)
Limited promotion opportunities (Appraisal is just an annual exercise)	1 (2.1 %)

**Table 6.9**  
**Reward Criteria**

Basis of Evaluating the individual performance (ranked by order of importance)	Number	Percentage Responded
Individual accomplishment	44	60.3
Performance of the product (project/work) group	27	40.0
Performance of the subordinates	6	8.2
Getting along with others own department	5	6.8
Getting along with people in other departments	4	5.5



## 6.4 TRAINING AND DEVELOPMENT

Training and development programmes should be recognised as an important factor for employee career development. In the SEDCs, many forms of training and development, ranging from technical, supervisory, office administration and executive development programmes are both internally and externally conducted by senior managers and by those from government and private training institutions. The general planning and characteristics of the training and development programmes are shown in Table 6.10.

**Table 6.10**  
**Training Programmes**  
**n = 64**

Types of Training	Yes	No
Management Development	55 (85.9%)	9 (14.1%)
Technical Training	59 (92.2 %)	5 (7.8 %)
Supervisory Training	54 (84.4 %)	10 (15.6 %)

The problems arising from such training programmes are the suitability, applicability of methods of training and the planning of training programmes. This study found that training frequently programmes are not perceived to "match" employees' training needs. The reasons for such improper planning were the insensitivity of management towards planning, as well as financial restraints, and lack of management commitment. As a result most managers interviewed are less satisfied with their training programmes.

For example, a young investment manager SEDC said,

"In this organisation, training does not seem to be an important element. Most training programmes conducted are irrelevant."

Table 6.11 shows the response to the question about the effectiveness of the training programmes. Almost half of the respondents (47.6 percent) said that the present training programmes and planning are not effective.

**Table 6.11**  
**Effectiveness of Training Programmes**  
**n = 64**

	Percentage Responded			
	Effective	Not	Quite	Not sure
Training and Development	52.4	38.1	6.3	3.2

The reasons given by those who are not satisfied with the training programme show that 87 percent felt that training programmes are not planned and thus are irrelevant to the employees' scope of work and responsibilities (see Table 6.12)

**Table 6.12**  
**Reasons for Ineffectiveness of**  
**Training Programmes**  
**n = 30**  
**Percentage Responded**

Depending on Individuals	13.0
No Specific Planning	
Ad hoc, Irrelevance	87.0
Total	100.00

Most of the managers felt that certain types of training are not suitable for their scope of duty and the tasks they are performing. Such training programmes which are generally conducted by the government training institutions are either too basic and elementary or are inappropriate for managers. A personnel executive of one SEDC agrees that training programmes conducted by private training institutions are more relevant, applicable and suitable for the SEDC employees. However, the training fees were much more expensive than the government agencies and many SEDCs could not afford to send their managers to private training organisations. Therefore, most of the employees, particularly the rank and file, were sent to government training agencies which many felt were not suitable for the work. The discrepancies of such government training programmes for technical managers of many SEDCs are also obvious. As one senior manager said,

"If I am given another chance to go for training conducted by government institutions, I won't accept it."

The decision on training was also done on an ad hoc basis. In some cases, managers usually choose their own training programmes (usually organised by private training firms) and forwarded their recommendations to the administration. As a senior manager in charge of housing on the east coast said,

"After I choose the type of training I want to go on, I submit it to the management. Usually it will be approved."

On the other hand, the involvement in human resource development programmes of top level managers including line managers, was minimal. Many cases showed that the types of training in the SEDCs were solely determined and organised by the administration (personnel) department. The review and analysis of training needs by both the personnel and the line managers were not carried out

because of a lack of continuous and integrated career planning and training programmes. In this study it was discovered that after the training decision was made by the administration, the personnel section requests line departments to submit lists of names to be sent for training. Such practices may cause a certain dissatisfaction for functional managers. When asked about this, various reasons for dissatisfaction were raised by line managers. These included limited training budgets, lack of planning and coordination among functional managers are the examples. Data in Table 6.13 shows factors causing their dissatisfaction.

Table 6.13

**Reasons Given for the Unsatisfactory Nature  
of Training Programmes**

n = 30

	Number of Respondents
No planning, consultation and coordination with departments, mismatch and inappropriateness, No policy on training programmes	22 (73.3 %)
Limited budgets ( Trainees are sent to government training institutions)	5 (16.7 %)
No Training committee	3 (10 %)

Data in Table 6.14 indicates the extent of any systematic and formal succession plan, something which is taken to reflect the level of manpower planning in the organisation. The majority of the cases suggest that manpower planning, through a formalised and a systematic succession plan was not present in many SEDCs. Perhaps job rotation, such as transferring an officer from one department to

another, occurs on an ad hoc basis, especially when restructuring of the organisation has to be done due to economic factors rather than systematic planning.

**Table 6.14**  
**Provision of Managerial Succession Plan**

	n = 50	
No formal succession plan	26	40.6
Job rotation	19	29.7
Management Development programme	14	21.9
Management Succession chart	3	4.7
Seniority basis	2	3.1

## 6.5 PAYMENT

Most employers, particularly in the public sector, maintain their basic pay and fringe benefits of both managerial and non-managerial levels at the going level of government pay structure. In the SEDCs, the management strictly follow and adhere to government payment guidelines on basic pay and fringe benefits. On top of it all, the SEDCs are expected to behave like private enterprises by surviving on their economic performance. As a consequence of such a dual management system, many managers in most SEDCs (10 out of 11 SEDCs) felt that the present non-incentive system which is not tied up to organisational financial performance and present government work attitude do not do enough to encourage flexible deployment of skills, innovation, high commitment and effort. During my visit to one SEDC in the north, a finance manager pointed to his staff, and then commented,

"Look at the staff outside, they are reading papers and talking to each other. Sometimes, I feel ashamed when outsiders come in and see the attitude of the staff."

When I asked him, "Why does this happen?" He replied, "This is because of a lack of positive organisational culture in this SEDC. You will find a different work culture in Johor SEDC which is the most successful corporation." (Later, when I visited the Johor SEDC, it is obvious the corporation was, in many ways, different from the rest. The corporate culture of Johor SEDC is discussed in Chapter 8).

This study discovered that the influence of the governmental administrative form found in many SEDCs is not just reflected in their organisational structure, but also by their non-incentive system and other motivational practices. Most managers, particularly those line managers who are responsible for the financial success of the SEDCs, do not perceive that their work will be objectively evaluated and fairly rewarded. They blamed the present pay structure which affects employees' work attitude and habit. Of the managers interviewed, 97.1 percent of the managers felt that the management strictly adheres to government regulation and policy regarding pay and monetary rewards. This government fixed time rate payment (flat time rate) is not based on job evaluation and salary surveys, i.e. on going market salary level in private enterprises). Also the present payment is not based on job evaluation and salary survey (Table 6.15).

**Table 6.15**  
**Basis for Salary Determination**

Government policy	68 (97.1%)
Job Evaluation	1 (1.4%)
Wage Survey	1 (1.4%)
Total	70 (100%)

The payment system of the SEDCs significantly affects the reward policy, such as management criteria to reward or promote an individual. The merit rating performance method - a subjective performance assessment by immediate superior - and the simplified and standardised payment (monthly salary) tend to create dissatisfaction over payment and promotion between management and employees. This is mainly because of an absence of incentives, such as additional payment for specific skills, more responsibility and additional hours worked.

It was found that about 62.3 percent do not agree with the present salary determination (including incentive, bonus and annual pay rise) which is not perceived to relate reward with individual or group performance. They do not agree with the basis of reward (promotional and other monetary reward, if any) which is generally related to individual employees, rather than to workgroup. Many managers stated that such individual and personal assessment, in fact, has encouraged individualism and undermined the importance of a collective approach in the workplace( see Table 6.16).

**Table 6.16**  
**Salary**  
**Agreement with the Present Salary Determination**  
**n = 69**

	Number Responded	Percentage
Agree	22	31.9 %
Do not Agree	43	62.3 %
Not sure	4	5.8 %



Table 6.17 shows that 93.3 percent gave their view that there was no clear criteria for payment determination, i.e. there was no performance base norm. Except the Johor SEDC, other remaining SEDCs did not "violate" the government policy which prevents the provision of monetary incentive (bonus) to government employees.

**Table 6.17**  
**Reason for Disagreement with**  
**the Present Wage Determination**  
**n = 45**

	<b>Percentage Responded</b>
No Performance Based	42 (93.3%)
Promotional Block. (seniority basis, limited positions closed system organisation)	3 (6.7 %)

In addition to these limitations on personnel practices, all corporations were definitely trying to address their personnel problems which according to management were : motivation and high employee performance - through other non-monetary rewards, material benefits and incentives (of cash value) and management style. All the SEDCs provide some kind of non-monetary incentives and benefits to compensate the limitations of discretionary pay rises (due to government pay structure) and lesser opportunity for advancement and career mobility in state-owned corporations. These employment benefits and incentives take many forms : recreational and sports programmes and facilities, annual dinner and certificate presentation for excellent service, discount house purchase scheme.

There is no doubt that these recreational programmes, improved working conditions and amenities may have satisfied the employees, but they do not necessarily motivate them to work above and beyond their normal workrule and stipulated job descriptions. This is mainly because such programmes and activities in most of the SEDCs are more of an annual incentive and routinised administrative process and social events. Thus, they are less effective mechanisms to support and encourage employees' high commitment, determination and effort. In this study, it was found that, in most cases, the behavioural performance did not seem to be influenced by the provisions of good working conditions (job context) and other social programmes alone. Both monetary and non-monetary factors should be provided. As Herzberg's two factor theory asserts:

No matter how highly a worker is paid or how good his working environment may be, this type of factor alone will not be sufficient to induce high levels of motivation or satisfaction. By the same token, irrespective of how interesting or how challenging a job might be (i.e. intrinsically motivating), there will still be dissatisfaction if pay or working conditions are inadequate (in Blunt 1983: 69).

By contrast, there are a few SEDCs which are more creative and progressive in their motivational practices. They provide uniforms and allowances, conduct productivity programmes such as quality control circles, form management and lower level employee associations and groups including joint-consultative councils comprising management and employee representatives, encourage the establishment of unions, "open-system" managerial styles, provide suggestion columns, issue periodic bulletins and plan an annual meeting between management and employees as examples. Interestingly enough, this study discovered that these additional aspects of 'hygiene' and 'motivation' tools (Herzberg 1968) are beginning to be recognised by a few SEDCs. These SEDCs have also moved far beyond the

normal provisions of "job context" by working towards creating a corporate culture and corporate image geared to the business strategy. These findings will be elaborated in Chapter 8.

## 6.6 CONCLUSION AND SUMMARY

The research found that although personnel management practices like manpower planning, personnel policies on recruiting and selecting new employees, promotion, training and development and payment system do exist in Malaysian SEDCs, they tend to be ineffective. In many SEDCs, manpower planning, selection and promotion, appraisal system, training and development and payment were found to be ad hoc and unsystematic because there was no specialist human resource managers or departments to formalise the personnel policies and procedures. The absence of specialised personnel departments was a major reason for the existence of ineffective personnel practices in most SEDCs. It was also found that most SEDCs seem to preserve their status quo as government departments, and efforts to improve their personnel management practices were not obviously evident. As a result, it has hindered the development of advanced personnel management practice in the SEDCs as a whole.

Having explored the processes and consequences of ineffective personnel practices and the relative low status of personnel departments, the following chapter now addresses the question, what are the barriers to the emergence of more effective personnel practices in the majority of the SEDCs?

## CHAPTER 7

### BARRIERS TO EFFECTIVE PERSONNEL MANAGEMENT PRACTICES

#### 7.0 INTRODUCTION

This chapter examines various organisational barriers that exist in many of the SEDCs to effective personnel management practices. This research found that the political and legal structure external to individual SEDC was of great significance in explaining the differences in personnel practices (see Storey 1992: 269), an absence of personnel departments and the relative ineffectiveness of personnel practices. In addition to the new Economic Policy (NEP) and cultural barrier to effective personnel practices in the SEDCs (as explained in Chapter 5), organisation structure was also found to be crucially important as a barrier to effective personnel practices. This chapter elaborates these themes.

#### 7.1 POLITICAL AND LEGAL STRUCTURE OF THE SEDCs

The inclusion of other state and federal government officers in such committees can be explained by the fact that SEDCs are politically governed by the Malaysian state. Therefore, the interest of state leaders and the federal government will be maintained and protected. The reasons given by officials of the Ministry of Public Enterprises provide an answer to such argument. During the interview with a senior officer, I raised a few questions on the government's influence and dictation of SEDCs particularly in the personnel policy, such as pay, recruitment and selection of employees. He explained:

"The role of the Ministry of Public enterprises is to monitor the policy, objectives, new policies, problems and funding of the SEDCs. In respect of it, the members of board of directors of SEDCs are represented by representatives from either the Treasury or the Economic Planning Unit of the Prime Minister department and from the Ministry of Public Enterprises. Besides, SEDCs which are funded by government, in terms of loans and grants for initial launching and non income earning projects like tourism and infrastructure, require some levels of government control in the corporations' financial obligations and personnel policy and practices. For example, government loan at 8% interest is only approved on viable projects; grants and loan given through the Ministry are complied to Treasury rules; and SEDCs' investment of more than \$1 million Malaysian ringgit must be referred to the Treasury. As far as personnel practice is concerned, salary of personnel, creation of new posts and upgrading of posts must be referred to the Public Service department. At the same time, the Ministry also tries to give as much freedom as possible to the SEDCs. At this moment, we are drafting a Memorandum of Understanding (MOU), a new instrument of supervision already introduced in Korea, India and Pakistan, which specifies the obligations of the government and the SEDCs. In this MOU, incentive plans and penalties are spelled out as agreed by both parties."

The presence of government representatives in the SEDCs is provided under Second Schedule (Section 3 and 7), Incorporation (State Legislatures Competency) Act, 1962, an Act to prescribe the powers of State legislatures to make laws with respect to the incorporation of certain persons or bodies within a state :

**Membership. 5 (1)** There shall be appointed by the Minister three representatives of the Federal Government as members of the Corporation.

- (2) Subject to subparagraph (1) the law establishing the Corporation may provide for the appointment of any number of other members not exceeding nine.

- (3) A member of the Corporation other than those mentioned in subparagraph (1) and any member appointed by virtue of his office, shall unless he sooner resigns or his appointment is revoked, hold office for a term not exceeding two years and shall be eligible for reappointment:

Provided that if a member resigns or his appointment is sooner revoked another person may be appointed for the remainder of the term of the member replaced.

**Chairman. 6.** The Chairman of the Corporation shall not be the Chief Executive of the Corporation.

As a result of such provision, there are at least three senior government officers appointed as members of the Board of Director of the SEDCs. It has also been claimed that some of them hold more than one directorship. The appointment of government officials or representatives of interested parties on the board or to sit in committees has been criticized for reasons that it may hinder the pursuit of consistent managerial courses and may impede the development of corporate responsibility among members of the board or committees. Even the former deputy finance minister recognised that many single government officers sit or can sit in many boards of directors because the present guideline on board of directorship does not limit the number of directorships one government can hold (Utusan Malaysia 30.11.89). He publicly suggested that the provision on directorships should be reviewed due to ineffectiveness of those individual officers involved.



A few examples of involvement of external state and federal officers in the selection and promotional exercise will give an insight of the lesser role and little privileges of SEDC management in determining their own personnel planning and development. In many cases, the research found that these committee members for selection and promotion of category A (degree holders) and B officers (college diploma holders) include representatives from the Ministry of Public enterprises, other federal and state government departments and agencies. Thus, the intervention of state and federal officers and politicians into the selection and promotion system by many corporations reflect the bureaucratic process of personnel selection and promotion. They bureaucratize everything relating to employment. Such personnel bureaucracy (Pugh 1984:75-76) is ineffective in the SEDCs which are evaluated according to their financial performance as well as their achievement of social objectives.

The following tables show the viwes of managers' regarding to selection and promotion processes in the SEDCs. Table 7.1 indicates that out of the 33 managers responded to the question, 32 agree that the majority of committee members are various government officials and politicians who can influence the decisions.

**Table 7.1**  
**The Panel of Selection and Promotion**

	<b>Nos. of Respondents</b>
General manager, board members, external state official and/or politicians	32 (43.8%)
General manager and board members (no external state officials and politician)	1 (1.4%)
Missing	41 (54.8%)
Total	<u>74 (100%).</u>



It was discovered that out of 11 SEDCs, 7 use the selection and promotion committees consisting of other external state officers, such as officers from state departments, the state secretary, state development office, State legal advisor and the Ministry of public enterprises (see Table 7.2). Thus, it can be seen that, in many SEDCs the chief executives and the committee (consisting of both the outsiders and the general manager) possessed both the authority and the influence to become powerful leaders. As a consequence, the employees of all levels become authority -dependent and centralisation is fostered. Such centralised power and collegiate decision processes, i.e. decision by committee - may lead to insensitivity and unaccountability in selection. This means that no individual top executive or management is to be blamed for hiring and promoting less potential employees.

**Table 7.2**  
**Decision Making in the Selection**  
**and Promotion of Managers**

	Discretion of chairman, General manager and External committee	Discretion of general manager, Internal committee and Functional manager
Pahang		X
Johor		X
Penang		X
Selangor		X
Perlis	X	-
Kedah	X	-
Perak	X	-
Negeri Sembilan	X	-
Melaka	X	-
Kelantan	X	-
Terengganu	X	-
Total	<u>7</u>	<u>4</u>

The research also found that in most SEDCs the functional managers only make recommendations on respective candidates to the selection and promotion committee in which they are not members. In that sense, they do not directly participate in the selection and promotion process. Many line managers whom I interviewed expressed their dissatisfaction over the limited power, authority and their lack of participation in the selection and promotion process, in particular:

- i. An administration manager in one SEDC in the north informed me that the functional managers can only make recommendations and the decision to hire and terminate is solely in the hands of the general manager. Even the functional managers are not directly involved in the selection of personnel for their own departments.
- ii. In another SEDC, one assistant manager expressed the same view that the power of the general manager in personnel selection and promotion overrides the recommendations made by functional managers who are not involved or directly participate in that process.

#### **7.1.1 The Authority of Committees and the Chief Executives**

In the SEDCs it was clearly shown that the Board of Directors and the Chief Executive Officers have autonomy and authority over the operation of the corporations, including the selection, training and development, promotion and discipline of employees. They are usually members of the establishment and promotion committees which make final selection and promotion decisions for all levels of positions without the presence of functional managers, who, in many cases, are not members of these committees.

The formulation of personnel policy, for instance, is generally done by the chairman and members of the board of directors. Personnel matters like selecting and promoting their employees at all levels are usually controlled or decided by the chairman and members of the board of directors who sit the selection committee. This finding is confirmed by Table 7.3 which reveals that respondents consistently believe that personnel policy is formulated either by top executives (53.3%) and by following the stipulations of government employment policy (36.7%). Policies regarding employee development, such as employee training and development programmes are mostly decided by the general manager. The reasons given for such centralised decision making are because of the "owner-manager" position of the general manager who has the power and authority over the day to day function of the corporation. This suggests that the role of personnel managers in formulating the personnel policy is very minimal. As one investment manager stated,

"Functional managers are not involved in the selection process of their own personnel. The general manager and the committee are the decision makers."

**Table 7.3**  
**Who Contributes to the**  
**Formulation of Personnel Policy**  
**n = 60**

	<b>Percentage Responded</b>
Top Executives and Committee	53.3
Follow government employment policy	36.7
Personnel-Manager	3.3
Department Managers	1.7
Unclear	<u>5.0</u>
	100.00

As a consequence, many managers interviewed support the argument that there is no specific feature of personnel policy formulated by the management. If there is any such policy conveyed from the top, it is rather vague and unclear (see Table 7.4). For many managers, this has resulted in work alienation and role ambiguity. Many managers expressed concerns about their sense of powerlessness and isolation leading to a feeling of meaninglessness in their work.

**Table 7.4**  
**Key Feature of Personnel Policy**  
**n = 65**

	<b>Percentage Responded</b>
Commercially based	35.4 %
Government employment policy	30.8 %
Vague and no feature	32.3 %

Many managers agree that such general criteria for selecting managers actually contradict with those used by the selection committee in the actual decision making (Table 7.5). These recruitment criteria for managers, according to many respondents, are general education and the level of training and experience (n =61) are very important. Age is considered as not important (n =39).

Table 7.5  
Recruitment Criteria for Managers

	Number Responded			
	Very Important	Important	Less / Not	Total Important
Education	35	26	12	73
Age	3	31	39	73
Training	28	33	12	73
Market	4	35	34	73
Contact				
Family ties	2	8	63	73
<b>Other Criteria</b>				
Personality	-	10	-	10
Competence and Integrity	-	14	-	14

The research discovered that in some cases, the personnel department where they existed did not inform respective line managers about selection and recruitment of personnel. There was no advertising of vacancies and no screening of applications because these new employees were usually recruited through personal contacts and recommendations made by the general manager and with the recommendation of a member of the Board. As one finance manager told me:

"I was surprised when I found that new employees were recruited without my knowledge. One day, suddenly, they came in to my office to report for duty."

In the selection and termination decisions, it was found that the committees were decision makers in selecting, terminating and promoting all levels of employees. Data in Table 7.6 to Table 7.7 represent the perception of line managers over the selection and promotion decisions of employees. Table 7.6 shows that out of 73 respondents, 39 responded and the other 34 managers did not answer because they are not really sure about such decisions. Those who did not reply, requested me to refer to the administration and personnel managers. Thus, the percentage response to this particular question was therefore very low (about 53 %). Nevertheless, the research findings highlight the extensive power of committee members and the general manager in the selection and termination of SEDC employees. Approximately, 70% of respondents perceived that these personnel decisions are made by the committee that comprise the board members, the politicians, the state and federal officials and the general managers. Although there is no doubt that the respective departmental or functional managers may make recommendations, they are not actually taking part in the decision making. The findings indicate that the functional and personnel managers have no significant influence over these selection and termination decisions. Even for mundane clerical and manual work, the majority of respondents believed that discretionary power over selection and termination lay not with personnel but with the senior committee of the SEDC.

**Table 7.6**  
**Who Makes the Decisions regarding**  
**Selection and Termination Decisions**

	Decision Makers				
	Committee <sup>1</sup>	General Manager	Functional Manager	Functional and Personnel Manager	No clear cut decision
<b>Vacancies</b>					
Top level Management (managers & above)	89.7%	7.7%	2.6%	-	-
Middle Manager & Officer	69.2%	23.1%	5.1%	2.6%	-
Clerical staff and Manual Workers	64.1%	17.9%	2.6%	15.4%	-
	69.2%	17.9%	2.6%	15.4%	-

The findings on the decision making in selection and promotion in many SEDCs reflects the central power of the boards, committees and the general managers. In the selection and termination of managers and senior officers the decision is made entirely by the respective committee comprising the chairman, general manager and other state and appointed government officials. In the case of lower-level staff including clerical staff and manual workers (category C and D staff), there is a slight change in the decision making process. At this stage, the personnel and functional managers do seem to be involved and do participate in the decision making process. However, whilst they may participate in the process, this by no means constitute a degree of discretionary power over

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<sup>1</sup> includes either external state official, general manager and board members or all of them



selection. For, in practice their views might be sought, yet final selection decision making could still be in the hands of the executive committee.

In Table 7.7 data on promotion decision making indicates the power and authority of the general manager and the committee in promoting their executives. However, only 20% of the managers who responded believe that the functional managers make decisions or have discretionary power over the promotion of lower managerial level, clerical staff and manual workers. Thus, it can be seen that the chief executives possessed both the authority and the influence to become the powerful leaders. Centralisation is strengthened even further by the prevailing dependence towards authority already embedded in the SEDCs.

In all, the structural condition of SEDCs may bring about what Child (1977) and Handy (1981) describe as a delimited (determining limit or boundaries) system of delegation which creates SEDCs as political organisations where decisions are based on influence rather than on procedural or purely logical grounds (Torrington and Weightman 1985: 32-33). In the SEDCs, power and authority seem to reside only with senior persons. This appears to indicate that, even though there is a delegation of work at the divisional level, the authority structure allows functional managers to exercise only a certain degree of authority. In addition, the politician-administrator close ties, the patron-client ties between the managers and subordinates, the imbalance of power, and uncertainty of economic retention perceived by the subordinates, could dominate the operative values and managerial behaviour of corporations, such as the interpersonal and interdepartmental relationships within the organisation.

Table 7.7

## Who Makes Promotion Decisions

	Decision Makers				
	Committee <sup>1</sup>	General Manager	Functional Manager Personnel Manager	Functional and	No clear cut
<b>Vacancies</b>					
Executive (managers & above)	87.8%	12.2%	-	-	-
Lower management (asst. manager & officer)	71.8%	-	15.4%	12.8%	-
Clerical staff and Manual Workers	56.4%	7.7%	5.2%	28.24%	2.6

The research uncovered a clear relationship and association between the number of divisions, the number of departments, on the one hand and the values and beliefs of chief executives or committee on the other. For instance, as long as the Board agrees, the SEDCs' structures can be of any shape (tall or flat structure) and of any size (spans of control) at any particular time. The number of departments can either be increased or decreased (without laying off employees) whenever senior management feel it is justifiable. The research findings discovered the organisational structures are designed on the basis of organisations' financial conditions and chief executives' choices or preferences.

<sup>1</sup> includes either external state official, general manager and board members or all of them

This research finding supports the suggestion made by Child (see Blunt 1983: 132) that executives interpret the same environmental or contextual factors differently, and to some degree the organisation structure reflects these differences. They make "strategic choices" about what they consider to be appropriate structures for the contingencies they perceive. The research also found that the extent of managerial control, availability of resources (financial), and the charter (goals and ideology) affect the structure. The following discussion focuses upon the extent to which organisation structure contributes to the absence of specialised personnel departments and to the ineffectiveness of personnel practices.

## 7.2 ORGANISATION STRUCTURE

It has been suggested that a proper organisation structure releases energy and creativity, rationalises productivity and improves morale (Jacques 1990: 127). Studies of organisation structure also suggest that organisations should adapt and fit their structures to the environment (Burns & Stalker 1961; Lawrence & Lorsch 1967). They highlight that the organisational effectiveness suffers whenever the organisation design does not fit its mission, environment and resources or whenever the organisation fails to develop more decentralised, specialised and formalised administration (Blau 1974; Child 1975; Donaldson 1985: 157). For instance, the work of Mintzberg shows that an effective organisation depends on developing a cohesive set of relations between structural design, age, size and technology, the condition of the firm and the conditions of the industry in which it is operating (Morgan 1986: 56). It also stresses that an organisation structure is one of the mechanisms that influences the strategic behaviour of an organisation.

- Recent structural changes in many SEDCs including expanding and decreasing the number of departments reflect the managers' personal choices about what they consider to be an appropriate structure. There are a number of examples of the restructuring process that has done in an ad hoc way within the SEDCs since 1989. In some cases, a new department has been created by integrating a number of other departments. At the same time, some SEDCs have expanded their structure and recruited more staff. Others have not changed without restructuring the organisation, creating new positions or promoting people. For instance, in September, 1989, one small SEDC in the north east of Malaysia expanded its organisation from 7 to 10 departments by establishing 3 new departments namely corporate planning, investment and industrial development. Another SEDC in the north, however, has shrunk its 6 departments to 4 by merging the technical department into the land and property department and placing corporate planning in the 'administration department.

It was also reported (early 1990) that a less successful SEDC has taken measures to improve the performance of its eighteen subsidiary companies. Such measures include reducing manager's salaries and dismissing workers, stopping and suspending non-profitable activities, freezing annual salary increments and organising other efficiency and productivity programmes. Such ad hoc restructuring programmes have affected personnel practices such as employee career planning, promotion, training and development. Since most of the SEDCs did not have specialised personnel departments or personnel specialists, the human resource planning and development of employees that were necessarily required to meet the structural changes of the organisations

were neglected. The research discovered that the organisation design of the SEDCs did not take into consideration the need for control, coordination and its contribution to organisational efficiency and performance.

It is based on these premises that the following discussions focus on organization structure which vary from one organization to another. Four dimensions of organisational structure, viz. functional structure, hierarchical levels, divisionalisation and specialisation (see Child 1984; Pugh & Hickson 1976) are examined. These structural dimensions were found to be barriers to personnel practices particularly on promotion opportunities and performance appraisals.

### **7.2.1 Functional Structure**

With respect to organisation structure, it has been suggested that there are four forms of organisation structure, namely bureaucratic, entrepreneurial, matrix and independence (Torrington and Hall 1987: 51-54). Each form of structure has its own advantages and disadvantages. The contingency theory suggests that there is no one best way to organise and not all the ways to organise are equally effective (see Burns and Stalker 1961; Lawrence and Lorsch 1967). The bureaucratic form, for instance, emphasises the distribution of power and responsibility rather than its centralisation. Responsibility is devoted through the structure and it is a method of organisation well suited to stable situations, making possible economies of scale and the benefits of specialisation. But there is seldom the flexibility to deal with a volatile environment and a tendency to be self-sufficient (Torrington and Hall 1987: 52). The research found that all SEDCs are functionally structured. Each department and unit reports to its respective

functional manager who is then answerable to the deputy general manager and the general manager. It reflects what Torrington and Hall (1987) describes as a simple structure of decision making and as a bureaucratic form of organisation. Among the SEDCs, there are two forms :

- i. A simple flat structure in many small SEDCs like Terengganu, Kelantan, Perak, Kedah, Negeri Sembilan, Perlis and Melaka Relatively. All functional managers reporting to the general manager. This low degree of differentiation and specialization indicate a high degree of centralization (see Figure 7.1)
- ii. A functional structure with several specialised units and divisions. The roles and responsibilities of senior managers (e.g. General Manager, Deputy General Manager and Financial Controller) are clearly more defined. This is the case of a few larger SEDCs like Selangor and Johor (see Figure 7.2).

There are more disadvantages than advantages of simple functional structures which have been much discussed in the management literature. For instance, this research found that a simple function structure of SEDCs is relevant, particularly, for smaller organisations engaging in a single activity in a stable environment. This simple form of organisation structure has also been said to be economical on managerial manpower because coordination, supervision, formalisation and standardisation are left to the superiors. On the other hand, this research found that this simple form of structure found in many SEDCs has restricted the career mobility of managers in these SEDCs. The importance of specialised personnel department was not seriously considered because of the centralised personnel decisions made by the general managers. At the same time, a functional structure is not suitable for organisations like SEDCs which are involved in diversified products and services across industries and economic sectors as I mentioned below.



In the case of all SEDCs, a simple functional structure is inappropriate for reasons that they are involved in a large number of various types of economic and socio-economic activities which require a considerable degree of decentralised decision making at specialised product (service) group units or divisions. Moreover, a simple functional structure which cannot distinguish between revenue-centred units and cost-centred units creates serious problems in dealing with performance evaluation of each individual manager or unit. Consequently, it was found that managerial accountability, such as commitment and profit responsibility cannot be monitored and evaluated by the management. These problems were more prevalent in many SEDCs which did not have specialised personnel departments that were needed to formulate personnel policies on performance standards and appraisal, job evaluation, reward system, training and promotion policies.

### 7.2.2 Hierarchical Levels

The shape of organisation can either be flat or tall depending on the number of hierarchical levels. An organisation with a tall structure has many levels in relation to size with a low average span of control while an organisation with a flat structure has few levels, with an average span of control. The highest level will be the chief executive. The deputy managers, department heads, supervisors and non-managerial employees are counted as another hierarchical level. However, the personal assistants are not considered. One arguments in favour of a tall structure is that it facilitates managerial accountability, performance, recognition and reward on merit. In other words, a tall organisation structure provides more employee opportunity for career



advancement within the organisation (Child 1984 :61), increased employee morale and job satisfaction.

SEDC organisation charts reflect the standardised feature of public sector organisations. There are little variations of hierarchical structures among SEDCs. It shows that most SEDCs have a flat structure of four hierarchical levels: the general manager, deputy general manager, departmental managers and officers (Table 7.8). They are organised in a simple functional form in which department heads usually report to the deputy general manager and general managers respectively. The smallest SEDC like Melaka and Perlis have only three managerial levels, i.e. the general manager, the departmental managers and officers. The kind of hierarchical structure is found to be a common feature of SEDCs which is in line with traditional administrative principles. The structures of many SEDCs reflects their management's deemphasis of group performance appraisal and the limited opportunities for career advancement. The absence of specialised personnel department in many SEDCs have hindered the formulation and implementation of personnel policies and procedures in the SEDCs.

The main problem raised on any organisation having many supporting staff was that senior executives were likely to spend most of their time in supervising and coordinating support staff, thus moving away their time and attention to long-term policy and strategic matters. It also means that the organisations are burdened by their administrative costs (Child: 1988: 62; 67). This research tend to support the above argument. It was found that there is a narrower span of control at middle managerial level (department manager level) in the SEDCs. At senior managerial level (chief executive), the span of control is wider because of many supporting (staff) units under their supervision

Dissatisfaction and disagreement about an excessive number of supporting staff was raised by many SEDC line managers. As one senior manager said, "Look at the Investment department. It has about nine to twelve officers which they do not have the power over the companies' affairs. We don't need a large number of these officers. Indirectly, the subsidiaries are being burdened with their payroll." This remark suggests that the finance manager is aware of the additional costs incurred and the corporation is recruiting non-productive officers who, in the first place, are not necessarily needed. A senior manager in another SEDC gave almost the same remark :

"Personally, I feel that it is unnecessary to have a Corporate Planning department when there is already an Investment department which can simultaneously look after the corporate planning and investment of the corporation."

Table 7.8  
Managerial Levels

SEDC	Size (number of employees)	Managerial levels
Johor	522	6
Selangor	1651	4
Penang	428	4
Pahang	322	4
Perak	278	4
Terengganu	257	4
Kelantan	161	4
Kedah	142	4
Negeri Sembilan	132	4
Melaka	97	3
Perlis	45	3

Although many organisations seem to be moving to flatter structures as part of attempts to become more flexible, a need to coordinate a large-scale activities of SEDCs requires them to have a hierarchical authority (Downs.1967). A relatively tall hierarchical level is usually preferred than a flat hierarchical level for the SEDCs because they are involved in various economic and social activities including plantation, property, manufacturing, services, tourism and other joint-ventures. As I mentioned earlier, a simple and flat functional structure which cannot distinguish between revenue-centred units and cost-centred unit creates a serious problem in dealing with performance evaluation of each individual manager or unit. Therefore each of these profit, revenue, investment and expenditure centres and specialised personnel department should be created so that performance and reward can be easily assessed and determined. A more structured and hierarchical specialised unit facilitates greater accountability and commitment and provides career opportunities for managers within each product or service division.

### **7.2.3 Divisionalisation and Specialization**

In most SEDCs, their organisation structures are not divisionalised. Only a few relatively larger SEDCs divide their functional areas into divisions or sub-groups. The advantage of divisionalised organisation and its positively affect the personnel practices will be discussed in the following chapter.

Inappropriate grouping or segmenting of departments, in fact, creates a certain degree of conflict, tension and frustration among existing functional managers, especially in organisations which do have a clear defined authority structure. The research found that the organizational structures of the SEDCs

were less specialised. It was found that 8 out of 11 SEDCs have their functional managers reporting directly to the Deputy General managers (Table 7.9). However, since the sole decision maker is the general manager, most important decisions were directly referred to the general manager, thus by-passing the deputy general manager. In some cases, the task of monitoring the departments and units are equally divided among the general manager and two deputy general managers. As a matter of formality, the organisational structure is divided into three functional departments of which each department has three or four units. In fact, there is no demarcation of authority and all departments and divisions are directly controlled by top executives. These include the personnel function such as selection, promotion and appraisal (the personnel department was not given a considerable status as a specialised unit):

**Table 7.9**  
**Spans of Control of General Manager**  
**& Deputy General manager**

	No. of general manager	No. of deputy manager ( DGM ) report to DGM	No. of functional managers	Spans of Control
Selangor	1	3	10	4,4,3
Johor	1	2	4	4,1
Penang	1	2	6	3,3
Pahang	1	1	5	5
Perak	1	1	6	6
Terengganu	1	1	7	7
Kelantan	1	1	6	6
Kedah	1	1	6	6
Negeri Sembilan	1	1	6	6
Melaka	1	-	2	2
Perlis	1	-	3	3

Source : SEDC Organisational Charts, 1989

The above research findings discover that most SEDCs have inappropriate organisation structures which negatively effect managers' interrelationship, morale and job satisfaction. These ineffective organisation structure undermines the importance of personnel department and the significant contribution of effective personnel practices. Such findings tend to support the argument made by Lawrence and Lorsch (1967) that the segmentation of organisation into departments would influence the behaviour of organisation members. In many SEDCs, The top executives' concern for their economic and behavioural effectiveness is reflected in the degree of control of the department. The top executives who prioritise the financial success and growth of the company tend to give more attention to and are accountable for financial and investment performance. Thus it may find that certain critical departments such as finance, investment and corporate planning are directly under the direct control of top executives and others are loosely controlled. This form of internal grouping or segmenting of departments may, in fact, create a certain degree of conflict, tension and frustration among existing functional managers whose performance is difficult to measure in financial terms. As we outline in Chapter 5, this is particularly the case for personnel department. which is given less priority. The research found that Johor SEDC is the only SEDC which has a separate human resource department and has recognised its long-term contribution to organisational success. As such, in Johor SEDC, the human resource manager reports directly to the executive director. Table 7.10 represents the departments that report to the financial controller. In Kelantan and Perak SEDCs, the financial controllers were not only controlled their own finance department but also the administration and personnel departments. There are certain cases where the financial controller is somewhat at the same level as the deputy general

manager. He also controls the administration (personnel) departments. Table 7.14 indicates the status of personnel department in Johor SEDC.

**Table 7.10**

**Departments Directly Controlled  
by the Financial Controller .**

	Finance	Investment Corporate planning	Admin. (Personnel)	Other unit
Selangor	X	-	-	-
Penang	X	X	-	-
Perak	X	-	X	1
Kelantan	X	X	X	-

**Source: Organisational Charts provided by SEDCs, July, 1989**

The research found that in most SEDCs the heads of the finance and technical departments are qualified accountants and engineers as compared with those holding positions in other departments such as administration and corporate planning. Undoubtedly, there is a high sense of egoism, personal pride and professionalism and status consciousness between professional managers and general administrative managers. It also creates a certain degree of dissatisfaction and low level interdepartmental and interpersonal relationships between line and staff departments. Such working relationships are best described by a finance manager - a qualified accountant - of one SEDC in the north region. When asked, " Why does your department report directly to the general manager, whereas other departments report to the deputy general manager and the general manager respectively?" he answered:

"I insisted that my department should report directly to the general manager, instead of deputy general manager, because I feel that others do not know about accounting and finance practices. My request has been granted."

The above finding indicate that the professional line manager has more influence than the "staff" managers in the SEDC. As such, this is a barrier to personnel management development.

**Table 7.11**  
**Departments Directly Reporting to the**  
**Executive Director or the General Manager**

	Finance investment, corporate, Development		Admin.	Human Resource	Audit	Others
Selangor		X			X	4
Johor				X	X	2
Penang	X	X	X			2
Pahang					X	
Perak		X			X	1
Terengganu						
Kelantan					X	
Kedah	X				X	
Negeri Sembilan	-	-	-	-	-	-
Melaka		X	X			1
Perlis	X	X	X			

Source: Organisational charts provided by SEDCs, July, 1989



### 7.3 CONCLUSION AND SUMMARY

This chapter has argued that organisation's external and internal factors such as the political and legal structures, powerful committees and chief executives, as well as inappropriate organisation structure are barriers to effective personnel management practices in the SEDCs. The personnel decisions are more centralized at the top levels and their employment practices are less decentralized in most SEDCs. The SEDC with a simple functional and a flat structure causes lesser opportunity for career advancement and performance evaluation is problematic because it does not provide the basis for group performance and a clear separate scope of responsibilities.

The research findings also suggests that certain organisational factors in a small minority of SEDCs have facilitated the important role of personnel department and the development of personnel effective personnel practices. The following chapter discusses those factors which facilitate the development of personnel practices in certain financially successful organisations.

## CHAPTER 8

### FACILITATORS OF PERSONNEL MANAGEMENT

#### 8.0 INTRODUCTION

The previous empirical chapters have highlighted the absence of personnel managers and formalised practices in many SEDCs. They have also examined some of the barriers to personnel management and the negative consequences of the absence of personnel practices in most SEDCs. These were crucial and consistent findings of this research project in many SEDCs across the whole of West Malaysia. However, it would be entirely inaccurate to assume that this was the only important finding of the research. For there was one exception to this pattern. The study found that personnel management departments and practices had developed particularly in Johor SEDC. This chapter examines four factors which appeared to be highly significant in facilitating the development of personnel management in this financially successful SEDC. These were : the relative autonomy and financial success of the SEDC; location, its organisational size and structure, and its corporate culture policy . Each of these factors and their impact on personnel practices particularly in Johor SEDC are discussed below. In addition, the corporate culture policies of Penang and Pahang SEDCs are briefly highlighted in a later part of the chapter. As I elaborate below, Pahang SEDC which is now recognised as an aggressive, progressive and financially improving SEDC has shown a particularly serious attention to corporate culture. The corporate culture of Selangor SEDC - the second most financially successful SEDC - is not discussed because this research project found that Selangor SEDC is strongly maintaining the status quo of government department.

Finally, before considering each of these three "facilitators" of personnel managements and/or practices in this small minority of SEDCs, it is important to consider a key analytical issue that, in fact, also lies at the heart of many debates in organisational analysis. This is the question of causality, of "cause" and "effect" in organisational life. Simply stated, it is the age-old question of analytical primacy, i.e. what is the relationship of one organisational factor to another and vice versa? which determines which? if at all?

In the case of this particular analysis of Malaysian SEDCs, the central analytical problem to be addressed concerns the relationship between on the one hand, these three facilitators and, on the other, personnel departments and practices. Does the former facilitate the latter or vice versa? Are more formalised and effective personnel practices simply the effect of economic success, organisational growth and/or managerial philosophies. Or alternatively, could it be argued that these three organisational features are the outcome of formalised and effective personnel practices? This same question of causality also applies to the analyses of earlier chapters. Are professional personnel managers and formalised practices absent in most SEDCs because these organisations are economically weak and therefore cannot afford "the luxury" of a specialist personnel function and set of practices? Alternatively, is it possible to sustain the argument that it is the very absence of professional personnel input that is the primary causal factor in the poor economic performance of most SEDCs?

The central argument of this thesis is that all of these respective arguments have elements of truth in them. This is because a simple causal relationship fails to capture the complex interrelationships of the organisational phenomenon under study. Personnel practices are both a condition and a

consequence of the economic success, growth and corporate culture policy of particular SEDCs. Equally these three factors are also a cause and an effect of the emergence of a professional personnel input. The relationship of these organisational factors cannot be reduced to a simplistic one-dimensional causal or determining relationship. In addition, in seeking to explain this relationship, other empirical or contextual matters must also be incorporated into our analytical framework. For example, any analysis must include a consideration of: localised conditions; the geographical location, culture and history of the organisation and the community; the nature of the product (s), its market size and potential; the skill base and nature of the workforce; the quality of organisational relations; the technological strength of the firm; the practices of management; the structure of the organisation; the shape of the wider economy etc., etc.

These crucial and contextual empirical considerations, combined with the analytical critique of simplistic causal and deterministic explanations of organisational life shapes the argument presented in this thesis. Suffice it to say here, that the research found a clear and strong interrelationship between these three empirical factors and the existence of personnel input into specific SEDCs. For this reason, I have termed these factors, "facilitators". This is because they are important conditions and consequences of personnel management. They are facilitators but not determinants. Indeed, even if the latter seemed to be a more accurate description, it would be difficult to uncover the empirical evidence to sustain the case. Empirical research methods and organisational analysis can be effective in highlighting relationships between organisational phenomenon. Questions of determination and causality are much more difficult to resolve. Hence there is a methodological as well as an analytical and empirical reason for

presenting a perspective below that rejects simplistic causal explanation. I will now discuss in turn each of these four facilitators of the emergence of specialist personnel departments and formalised practices in particular SEDC.

### 8.1 RELATIVE AUTONOMY AND FINANCIAL SUCCESS

The relative autonomy of government departments is a key factor in the success of Johor SEDC. Financial success and relative autonomy often seemed to reflect and reinforce one another. The organisational success of the Johor SEDC, in particular can be measured by its widespread economic activities and financial performance<sup>2</sup>. It must be noted that there are numerous definitions of organisational success or effectiveness. The definition of success involves some assumptions with respect of reference. For example, it has been suggested that three indices as measures of organisational success: the degree to which it is productive, profitable, self-maintaining and expanding; the degree to which the success is valuable to members; and the degree to which those success and organisational members are of value to the society. Others include employees' commitment to devote their energy to organisation's benefits (Ghorpade 1971; Guest 1989, Coopey & Hartley 1991, in Clark 1993), innovativeness and community responsibility (Fortune 1987: 19). Thus, from a financial point of view, the socio-economic development, the quality of management, innovativeness, growth (diversification, market development, numbers of joint ventures and of equity participation) and the achievement of organisation's and government's mission to increase Malay participation in commerce and trade,

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<sup>2</sup> Data may vary according to the year of study during which the amount of government development allocation and the number of companies invested or sold varied

Johor SEDC has been ranked by the Ministry of Public Enterprises as the most successful SEDC (see Table 8.1).

The detailed financial performance of Johor SEDC for 1988, released to the media in June, 1989 were as follows:

As far as financial performance is concerned, Johor SEDC's 1988 unconsolidated net profit was M\$71.33 million or 29% more than the profit of M\$55.27 made in 1987. On a consolidated basis, the net profit for 1988 was M\$90 million. Manufacturing and agriculture remained the largest sectors of activity with 41.7 percent of the total turnover of M\$1.24 billion, and of 27.4 percent of the total. On top of that, in 1988, the corporation comprised a total of 78 companies with about 12,000 employees. In 1989, the number of companies increased to 104. In all, Johor SEDC has now provided employment opportunities to 16,489 people and has invested M\$321 millions in companies.

**Table 8.1**  
**SEDCs' Current Profits and Losses ( ) from 1986 - 1989.**

**Source : Ministry of Public Enterprises, 1987, 1990**  
**(Unaudited Report except for Johor)**

Successful SEDCs	1986	1987 (M\$ million)	1988	1989
Johor	33.81	55.27	70.858	100.559
Selangor	56.81	69.62	60.391	69.2
Penang	13.67	15.83	21.143	36.135
<b>Less Successful SEDCs</b>				
Pahang	11.54	52.38	4.023	6.380
Perak	6.14	9.42	6.366	7.759
Kedah	3.09	7.55	13.940	15.682
Kelantan	1.61	2.52	1.205	3.134
Terengganu	(0.61)	6.11	(11.376)	13.117
Perlis	2.26	(0.58)	(1.178)	53.277
Melaka	0.64	(2.70)	(0.668)	(4.440)
Negeri Sembilan	(1.19)	(1.59)	(0.668)	(4.440)



The Johor SEDC has been highlighted by the government as a model to which other government corporations should aspire. The Johor SEDC is the only government corporation which significantly contributes to the social and economic development of its own state within Malaysia. It won the country's Development Award for its developmental performance in 1991. Johor SEDC is the only SEDC which has diversified its commercial activities not only in Johor but far outside the state boundary, such as in Kuala Lumpur and Ipoh, Perak. Its executive director identified the growing need for better standards of medical treatment and the potential of the health care sector. Following that in 1988, it took over the Tawakal Specialist Hospital in Kuala Lumpur. Soon after the hospital made a profit of M\$155,000.00 for the first time in four years. It was recently reported that the Johor SEDC is building a \$25 million specialist Centre in Kuala Lumpur. It also owns a Specialist Centre in Ipoh, Perak. The corporation's investment in this private hospital is managed by its wholly-owned company, Kumpulan Perubatan (Johor) Pte. Limited. In 1988, the gross turnover of the specialist medical and health service division was reported to amount to M\$21.755 million, 71.3 percent more than in 1987. In the fast food industry, the corporation is acquiring a Burger King franchise and outlets are being set up particularly in Johor Baharu. Currently Johor SEDC has 11 industrial estates with 310 factories employing 100,000 workers. It has been projected that another 11 new industrial estates will be established in Johor by 1995. These will provide about 60,000 jobs. The success of Johor SEDC, which has been recognised by business communities and that facilitates the development of specialist personnel managers and formalised personnel practices is elaborated below.



Johor is the only government agency, in fact the only organisation in the country, which has established a company mainly for the purpose of recruiting its employees, including those of subsidiary companies. In all SEDCs-the state intervention of the Public Service Department (PSD) in the establishment of new jobs and recruitment of new employees poses some degree of restriction and limitation on manpower planning. However, when the Johor SEDC urgently required additional staff to cope with its increased business activities, it had to ask for additional posts from the Public Service Department (PSD). In order to resolve its staffing problem, the corporation had to find an alternative way of recruiting staff. As a consequence, the Johor SEDC Group was formed to specialise exclusively on recruitment. Recruitment decisions are now made by its directors comprising the executive director, the financial controller, the corporate affairs manager and the human resource manager. This employment company has a total discretion over recruitment. In January and February 1989, for instance, seventeen new executives including technical officer and accountants were recruited into Johor at a time no government department was not allowed to recruit new employees because of unlifted government job freeze. Hence Johor has considerable autonomy over recruitment.

Johor SEDC is the first public enterprise in Malaysia which contributes a percentage of its profit to its own State Government. In August 1990, Johor SEDC contributed M\$9.8 millions (10% of its 1989 net profit) to the government. During the same year, the Institute of Management Development was set up to provide entrepreneurial training and development. Thus Johor SEDC was seriously committed to upgrade the business skills of Malay entrepreneurs

The power, resources and relative independence of Johor is a condition and consequence of comparatively sophisticated personnel practices. For example, Johor SEDC is the only SEDC which provides uniforms and gives bonuses to all levels of employees. At the time of this study, female employees were provided with blue batik outfits, and the males with blue shirts and ties. The first half-month salary bonus based on organizational performance was given in 1986, followed with a month bonus in subsequent years. In 1990, a yearly bonus was not paid directly to each individual employee because the corporation had received complaints from the federal government. However, such bonuses are now being credited into each individual employee's Pilgrimage Provident Fund account from which it can either be withdrawn for personal use or be used for pilgrimage (travel to Mecca) in the future. In such a case, Johor SEDC is the only public enterprise in the country (not under the Company Act) which gives out bonuses to its "government" employees.

I asked the personnel assistant about the reaction of the Department of Public Service (PSD) to the provision of bonus. She stated:

"Johor SEDC is a dynamic and financially successful corporation. The management feels that its employees must be rewarded for what they have achieved. Although government organisations are not allowed to give any sort of financial reward prior to its approval, the board of directors of JSEDC has the discretion to do so. Moreover, JSEDC is operating on a commercial basis where profit is fundamental to any business enterprise. In addition, the human resource department has even suggested to the Executive Director that we add an "overseas trip" to their incentive system. At this moment, it has not yet been approved."

In addition, non-instrumental rewards like certificates and shields for excellent individuals and groups are awarded during the annual dinner. An emergency fund to help solve employee's immediate financial difficulties; such as financing funeral costs, was set up in 1990. Each individual employee contributes a minimum sum each month. The corporation also awards a monthly pay rise based on financial performance and targets.

The Johor SEDC is open seven days a week, including Friday and Sunday. There will be some managers and employees who either work on Friday, an off-day for Johor state, or on Sunday in order to establish a continuous business contact with out of state organisations, including Singapore. One female personnel assistant manager told me that "it is quite embarrassing for any employee who wants to leave the office immediately at four o'clock. In this corporation leaving the office exactly at four o'clock is very unusual." I was at the corporation until 5.00 o'clock and there were still a few clerical staff and more officers who were trying to finish their day's work. This kind of positive work attitude can also be noticed even at lunch time when the office was not fully shut down. There were some employees around and the office environment was still "alive" with the sound of type-writers which did not seem to stop. It was during that same lunch period that I noticed a meeting was about to begin between the deputy general manager of planning and officers from the property department

All in all, the availability of surplus financial resource (profits) makes Johor SEDC less dependent and less compliant. It enjoys more freedom and autonomy from the federal government regulations, requirements and other external interference in its personnel practices. Consequently such inter-organizational power and resource independence enjoyed by Johor SEDC, is the

contributing factor which facilitates its own personnel practices. Indeed, these practices sometimes contradict or contravene the government's personnel policies and work norms of government employees. For example, the specialist human resource manager (department) reports directly to the executive director. The personnel function constitutes a separate and specialised department which has three personnel units, i.e. personnel administration, training and manpower planning. The personnel manager (human resource manager) in Johor SEDC has a higher hierarchical status. The personnel specialist was solely responsible for employment matters including manpower planning and training. He is also secretary to various subcommittees including the Selection, Appointment and Promotion Committees, Performance Appraisal Committee and Disciplinary and Appeal Committee. In most SEDCs, such a secretarial position may be filled by the administration manager. It was found that the Johor human resource department plays a significant role in implementing personnel policies. Thus, it could be observed that HRM in Johor seems to be far more proactive than the traditionally reactive and passive personnel departments usually found in most SEDCs.

The above findings have highlighted how Johor which is economically the most successful SEDC has a high degree of autonomy and independence from government interference on its personnel practices while many other SEDCs do not. Thus, it is not surprising that formalised personnel practices and an established personnel department can be found in Johor SEDC. It also illustrates the importance of enhancing corporate culture, a point to which I shall return later in the chapter.

## 8.2 LOCATION

During research in other SEDCs, managers consistently tried to attribute the success of Johor, Selangor and Penang SEDC to various factors such as location, availability of natural resources and infrastructure which boost its various economic activities and investment. Thus, it was said that it is not surprising that Johor, Selangor and Penang in the west coast are flourishing more than other SEDCs in less-developed states.

The financial success of a few SEDCs like Johor, Penang and Selangor can also be partly attributed to the location of the SEDCs. Johor state, for instance is very close to Singapore and is the second largest state in Malaysia. It is one which has both an East and West Coast environment. It has a long coast line and a large coastal population especially in the West Coast. The 1980 population census showed that Johor has a population of 1.6 million, of which 803,000 were male and 797,000 were female. With huge industrial and infrastructure development, Johor is becoming Malaysia's leading growth centre. Johor has overtaken the Klang Valley of Selangor as the country's premier industrial centre. The Johor-Singapore economic relation has increased foreign investment into the state. In 1970, the manufacturing sector contribution was M\$217 millions and rose to M\$ 679 millions in 1980. Such growth in the manufacturing sector is reflected in the projected contribution of M\$1,830 millions to Johor's GDP in 1990. Agriculture, fishery and forestry were the second largest contribution to the state's GDP.

Penang state, on the other hand, which includes Penang island and Province Wellesley is an industrialised state with a large number of electronic factories in four free trade zone areas and in four industrial estates. Penang is also a popular tourist destination. The population of Penang has increased from about 1.049 millions in 1985 to 1.103 millions in 1988. The 1989 employment pattern in Penang indicates that about 123,852 (49.4 %) of 250,579 total salaried workers in Penang are in manufacturing; 33,306 (13.3 %) are in commerce (business); 41,161 (16.4%) in public services, 29,240 (11.7 %) are in services in private sector. Thus the manufacturing, commerce and service industry constitute most of the Gross National Product of Penang. The industrial sector contributes 45 % of the state's gross domestic product (GDP). Such an increase was due mainly to rapid growth in economic activities particularly in business, tourism, transportation, service sectors and manufacturing as compared to the 1970s period when Penang state lost its free port status. During that period, there were only 31 factories with about 2784 workers and the unemployment rate was about 15%.

The success of Penang SEDC could be measured by the vast industrial development in Penang state. The Penang 1987 annual report indicated that Penang has about 281 factories with employment of 58,867, of which a total of 26,337 or 45% are Malays. In addition to that, another 23 factories are under construction which would generate additional employment of about 1349. In 1988, there were 347 factories in industrial areas developed by PDC employing about 74,502 workers. In 1990, there are 430 factories located in eight industrial areas, employing 100,953 workers or 33% of the state's total employment. The success of Penang's Free Trade Zone which has been developed by Penang SEDC since 1972, was internationally recognised by the fact that the



corporation's management team, with the recommendation of the World Bank, recently has been awarded a contract to plan and design an export processing zone at the Athi River in Kenya. In all, Penang SEDC plays a significant role, not only in economic and social activities, but also in formulating the overall structure of the economy of Penang.

Selangor state is the most developed and industrialised for the fact that Kuala Lumpur, the former state capital is a business and commercial centre. In addition, Port of Kelang is the port of entry for import and export business. Geographically, Selangor state is more developed and industrialised than others. Selangor SEDC was the first SEDC to be established in 1964. Johor and Penang were legislated in 1970 and 1971, not long after the racial riot of May, 13th, 1969. It was during this period of Second Malaysia Plan (1971 - 1975) that the New Economic Policy (NEP) was launched and implemented. Following which all 13 SEDCs were established. Thus the location, social, political and economic advantages of Selangor state have been attributed to the financial success of Selangor SEDC.

Although it has been argued that the strategic location is one of the factors that contribute to financial success of few SEDCs and there was a low correlation between the financial performance of companies and the number of human resource management initiatives (Clark 1993), the fact is that the financially successful SEDCs as shown by Johor SEDC are able to facilitate effective personnel practices in the organisations. I will now consider a third facilitator of personnel management practices in Malaysian SEDCs.



### 8.3 ORGANIZATIONAL SIZE AND STRUCTURE

The size of the SEDCs is shown in Table 8.2. Selangor, Johor and Penang relatively are the largest. The organizational size of the corporation is indicated by their total number of employees, as well as the size of management groups (Woodward 1965: 55). It has been argued that the size of organisation (structure) has no direct or cause-effect relationship with organizational performance and "bigness" does not necessarily secure a superior level of profitability (Child 1969: 97). The Aston studies (Pugh and Hickson 1976) concluded that larger size is associated with more specialisation, standardisation and formalisation and less centralisation (Miner 1982: 405, 418; Clegg 1990: 72). However, others have argued that bigger firms have an advantage over smaller firms in terms of efficiency (Potter 1991: 36) and have a larger array of able internal candidates to solve organisational contingencies (Guthrie and Olian 1991: 269). Blau's theory of organisational differentiation suggests that the role of size in organisational structure is important, and the correlation between size and differentiation are substantial, rising as high as the 0.80s in certain instances (Blau et al. 1976, in Miner 1982: 403). Organisational size has also been treated as a facilitator rather than a constraint on various human resource management programmes (Murray & Dimick, in Guthrie and Olian 1991: 269). This research discovered that the relationships between size and structure, between size and specialization, between diversification and divisionalization (see Clegg 1990: 72) are reflected in the larger SEDCs like Selangor, Johor and Penang.

**Table 8.2**  
**Size of SEDCs**

SEDC	Size (number of employees)
Selangor	1651
Johor	572
Penang	428
Pahang	322
Perak	278
Terengganu	257
Kelantan	161
Kedah	142
Melaka	97
Negeri Sembilan	132
Perlis	49

Table 8.3 shows how larger SEDCs are characterised by horizontally differentiated functions. Larger SEDCs divide their functional areas into divisions or sub-groups. By contrast, most small SEDCs do not divisionalize their structures. They also have relatively few departments and no specialist personnel departments and formalised personnel practices. This finding suggests that the grouping of departments according to divisions integrated by respective senior managers may provide the basis for the demarcation of responsibilities among senior managers.

Thus, it is usually assumed that divisionalization and specialisation provide a clear managerial accountability for which the performance of each divisional or functional manager can be easily evaluated. At the same time, it is equally assumed that larger organizations, large numbers of departments and a tall hierarchical structure provide better career mobility (job rotation) and promotion opportunities than smaller organizations with flat structures. Accordingly, larger organisations are likely to have and to need, more formalised and standardized personnel practices. These are necessary conditions for ensuring that the potential benefits of large scale bureaucracies are realised in practice and the negative consequences of their absence are avoided. In turn, these formalised procedures have to be managed and monitored by a specialist personnel function. This is the case at Johor SEDC.

Relatively larger diversified SEDCs like Johor has a divisionalized structure. For instance, Selangor has 6 divisions with 64 departments. Johor SEDC has 10 corporate divisions respectively dealing with the following economic sectors : timber, transport, agriculture, trading, aquaculture, medical specialist, tropical product, manufacturing, hotel and tourism and development. There are three subcommittees namely : Special Committees that review corporate plans and annual budgets; Tender committee and Promotion committee. The management of Johor comprises the Executive director who is a full board member, one general manager, two deputy general managers, one financial controller and 12 operating managers. In other small SEDCs, the head of the corporation is the general manager. While Penang has 3 divisions and 11 departments.

As I mentioned earlier, Johor was the only SEDC which has a specialist human resource manager who reports directly to the executive director. Johor SEDC was also the only SEDC which has an executive director who is a full board member. Thus, as a full board member, the executive director of Johor SEDC directly participates in the formulation and implementation of personnel policies. In other SEDCs, there are only general managers who manage the SEDCs (see Table 8.4). I asked the assistant human resource manager the reason for the appointment of an executive director instead of having only the general manager to manage Johor SEDC. Immediately, she responded :

"As a business corporation, the corporation cannot always afford to fulfil the board's decisions which may affect its performance. By appointing the executive director as the head of SEDC, he will be able to sit together on the board of directors, directly participate in the policy formulation and maintain the interests of the SEDC. In the other SEDCs, the general managers who are not members of the board only implement the policy passed by the board. In due course, accountability and responsibility seems to rest with the board and not with the management."

Although there were centralized employment practices in Johor such as centralized recruitment, selection, disciplinary and dismissal (authority concentrated in a controlling committee), managerial decision making was decentralised at the functional level. Such a low degree of centralization in personnel decisions can be observed from the large number of functional representatives in the employment committee and from their power to influence the decisions. In such a case, there was a relationship between specialisation and decentralization in personnel decisions.

**Table 8.3**  
**Horizontal Differentiation**  
 (Source : Organisational Charts provided by SEDCs, July, 1989)

	Number of Divisions	Number of Departments
<b>Larger SEDCs</b>		
Selangor	6	64
Johor	5	15
Penang	3	11
<b>Smaller SEDCs</b>		
Pahang	-	8
Perak	-	9
Terengganu	-	7
Kelantan	-	10
Kedah	-	4
Negeri Sembilan	-	6
Melaka	-	3
Perlis	-	3

In Johor SEDC, the recruitment of new personnel is conducted by a selection committee according to the category of employees. There are two separate selection committees for officers and clerical employees in which members are top executives and functional managers. Hence, no outsiders (i.e. politicians and representatives from federal government) are involved, and selection decisions are the prerogative of the personnel manager and the functional line managers. Unlike other SEDCs, the human resource manager, together with respective functional managers at Johor are given the

responsibility to recruit and select employees at all levels. Table 8.5 lists the members of the selection committee at Johor. Thus the delegation of authority to functional managers reflects the management's perception of the significant relationship between decentralisation, specialization and effective personnel selection. The delegation of authority enables the personnel manager and respective functional managers to select and recruit competent employees according to job requirements.

In Johor SEDC, the appraisal system is formalised and less centralised in the sense that members of the performance evaluation committee consist of top executive and divisional (functional) managers. The standardization and formalization of promotion policy such as promotion criteria for managers and clerical staff has been communicated to all employees. For instance, various internal examinations and tests for managers and officers are continuously carried out and conducted by the human resource management department. These tests include for example: the presentation of working papers on future business opportunities, English proficiency examinations, financial management and human resource management examinations set by the executive director of the SEDC. Success in these tests is a prerequisite for promotion. Employees are well aware that their hierarchical advance is dependent on examination success. Thus the employees are aware of the promotion criteria (traits, personality and skills and knowledge) before they apply for higher positions. This is not always the case in other small SEDCs.

Table 8.4  
Number of Managerial Positions  
(Provided by SEDCs, 1989)

	Executive Director	general Manager	Deputy G.M.	Finan. Controller	Dept. Mgr. <sup>2</sup>	Unit Mgr. <sup>1</sup>	Total
<b>Larger SEDCs</b>							
1. Selangor	-	1	3	-	18	6	28
2. Johor	1	2	2	1	12	3	21
3. Penang	-	1	2	-	9	1	13
<b>Smaller SEDCs</b>							
4. Pahang	-	1	1	-	5	1	8
5. Perak	-	1	1	-	4	5	11
6. Terengganu	-	1	1	-	7	-	9
7. Kelantan	-	1	1	1	9	1	13
8. Kedah	-	1	1	-	4	-	6
9. Negeri Sembilan	-	1	1	-	-	6	8
10. Melaka	-	1	-	-	3	-	6
11. Perlis	-	1	-	-	3	-	4

Note:

1. Unit manager does not report to department manager. Instead, he/she directly reports to the General manager/ Executive Director.
2. In most SEDCs, there are sub-units/sections in each department.



**Table 8.5**  
**Employee Selection Committee at Johor**

**For Administrative and Executive Officers**

1. Executive Director
2. Human Resource Manager
3. Respective Functional Managers

**For Clerical Staff and below**

1. Financial Controller
2. Human Resource Manager
3. Respective Functional Manager or Senior Officers.

In addition, each year, evaluation forms are distributed sometime in August. All levels of employees are then seriously evaluated by their respective performance evaluation committees consisting of top level officials sometime in October (Table 8.6a and Table 8.6b). Hence we can see a high degree of formalisation (paperwork) and standardisation (rules and definitions) in the promotion criteria and practices of Johor SEDC. This contrasts sharply with the more informal and arbitrary practices of many other smaller SEDCs which can often lead to nepotism. It also contrasts with promotion decisions made on the grounds of seniority (discussed in previous chapters). This type of managerial structure in Johor reflects the way that decision making is decentralized at various managerial levels. Such divisionalisation and grouping of activities make individual as well as group performance appraisal and control easily assessed<sup>3</sup>

<sup>3</sup> However, such evidence on the degree of decentralization is not fully examined in this research because of the lack of clearly defined relationship between size and authority. The problematic nature of this relationship is highlighted by Pugh and Hickson, as they write, "larger organizations tend to have more specialization, more standardization and more formalisation than smaller organizations. The lack of relationship between size and the remaining structural dimensions, i.e. concentration of authority.... and line control of workflow.... was equally striking" (Pugh and Hickson, in Clegg and Dunkerley 1980: 236).

**Table 8.6 (a)**  
**Performance Evaluation Committee at Johor**

<b>Managers and Officers</b>	<p>Lists of committee members</p> <p>Executive Director,</p> <p>General Manager (Operation)</p> <p>Group financial Manager</p> <p>Deputy General manager (Operation)</p> <p>Secretary Of Johor SEDC</p> <p>Human Resource Manager</p> <p>Officer of HRM as the Secretary</p>
<b>Clerical staff and below</b>	<p><b>Corporate Division</b></p> <p>Group Finance manager</p> <p>Secretary, Johor SEDC</p> <p>Human resource manager</p> <p>Representative from department, concerned.</p> <p>HRM officer as the secretary</p>

**Table 8.6 (b)**  
**Performance Evaluation Committee**

<p>Lists of committee members</p> <p><b>Operation Division</b></p> <p>General Manager (Operation)</p> <p>Deputy general manager (Operation)</p> <p>Human Resource Manager</p> <p>HRM officer as the Secretary.</p>
--

I now turn to the fourth facilitator of effective human resource management.

#### 8.4 CORPORATE CULTURE POLICY

Corporate culture can be defined as the influence that the leaders, especially the chief executives have on the organisation that tend to permeate the daily work environment. These leaders create a climate for employees and images of the organisation (Deal and Kennedy 1982). In other words, the attitudes, values, ethics, life styles and to a great extent personalities of the chief executives and their immediate subordinates create the culture of the organisation. They establish an organisational mission, setting and requirement for success. This adaptive organisational culture is then reflected in management processes and practices, reward systems, policies and procedures as well as in the design of the organisations which give employees a sense of how to behave and what they ought to be doing (Kilman 1985). It has been suggested that the process of shaping culture as a prime role of management. A leader not only creates the rational and tangible aspects of organisation, such as structure and technology, but also is the creator of symbols, ideology, language, beliefs, rituals and myths (Peters and Waterman 1982: 104). Thus it is important to note that in order to understand how personnel management is practiced in the SEDCs, corporate culture which is heavily weighted towards the influence of the leaders should be identified and analyzed.

Having examined all eleven SEDCs, this research project found that Johor SEDC is the only organisation which has a formal written corporate philosophy and mission statement. In Johor, the corporate philosophy clearly stresses both

economic and behavioural effectiveness. The research discovered that one of the primary reasons behind the success of Johor SEDC is the corporate philosophy, mission statement and policy which prioritises both economic and behavioural effectiveness such as profitability, growth, employee's high morale and job satisfaction. In order to sustain this corporate culture (such as strong work habits and value and positive commercial attitude) the management recognises the importance of employees' development and motivation. As a result of such awareness positive employees' work habit is fostered and harnessed in Johor SEDC. Thus, the financial success and behavioural effectiveness such as executives' attitudes toward jobs and interest and enthusiasm for their work (see Negandhi 1975: 235) is not due mainly to the location of Johor state. Instead, as most other SEDC managers agreed, Johor's success is also a result of its explicit mission and objectives and its recognition of the significant contribution of human resources to organisational success and development. As such the Johor SEDC is found to be the most innovative government corporation with a participative and open culture characterised by trust, supportive relationship autonomy, information sharing and high output goals.

The leadership of two managing directors of Johor SEDC in transforming the corporation into a proud and rapidly evolving government corporation has been widely recognised and acknowledged by the business community. As one deputy general manager said:

"It takes a long time to foster positive business work attitude, values and norms among employees at all levels. The success of transforming this government corporation into a corporate entity which stresses profitability, efficiency, productivity and manpower development was the result of the determination and leadership styles of our past and present chief executive directors."

This view is confirmed by one Johor personnel manager who added about Johor's corporate culture,

"Not only are work norms maintained, even officers and managers must continuously read management and business articles or publications. At the beginning of each month, normally on Wednesday, there is a discussion session during which they will summarize their readings. Comments, critics and suggestions are raised (It was reported that such reading discussion was first started by the Executive Director on "The Tactics, Art and Science of Success" started in 1988. In 1989, 18 officers presented their readings). Even in the promotion exercise, candidates are asked to present some kind of working papers on new business opportunities and ventures. In addition, passing English examinations and other related in-house courses like human resource management are some of the criteria for managerial promotion."

During the interview with an assistant HRM manager, she added,

"All officers must understand the Johor SEDC's philosophy in order to manage their staff (subordinates)."

An abstract of a 13-page document on corporate philosophy and missions was documented in this study. Below are translations of some of the main philosophical statements:

### **Corporate Philosophy**

In this corporation, the total workforce is not just working to fulfill its responsibility as an employee in the government agency. Each individual in the "workforce" (the word "employee" is not used because it gives a negative connotation and a wrong perception about the role and responsibility of an actual "workforce," i.e. human resource ) belongs to a work group which must strive for the development of the nation and protecting the dignity of the Bumiputra (page 1).

The corporation wants its workforce to "love" their work and to respect the principle that effort, commitment and motivation are the basis for the success of the individual, of the family, of the corporation and of the Bumiputra (Page 3).

...As a corporation, Johor SEDC is similar to other Western private corporations (Europe and America or to those in the Far East, i.e. Japan, Korea and Hong Kong (page 3).

..However, in the process of maintaining a corporate image, Johor SEDC cannot avoid developing its own structure, management system, values and attitude, including its corporate culture, which are based on the inherited characteristics of Malay. All these must be integrated in a single direction to ensure effectiveness and productivity (page 4).

Johor SEDC is perceived as one of the Malay corporations which is reliable, feasible and capable of developing and protecting the Malays more effectively" (page 5).

The economic success of the Bumiputra will not be fully achieved if bumiputra continually depends on sponsorships (government support) that are channelled through other government agencies (page 4)."

Clearly the commitment to socio-economic development is very explicit and central and important in this philosophy.

The corporate mission of Johor SEDC is described as follows:

1. To build a strong, influential and viable Malay corporation which strengthens and develops the Malay economy.



2. To successfully manage properties and investment and to ensure optimal output which can be used as a source of development and for reinvestment.
3. To directly develop human resources (employees) by encouraging and allowing them to achieve their highest excellence in accordance with management philosophy and corporate objectives.
4. To identify and develop educated and potential individuals, especially those at the entrepreneurial and top level management, who are supposed to lead the corporation and its companies.
5. To form and develop viable companies that are able to grow in order to achieve corporate objectives.

In this research, it was also discovered that specialised personnel departments and corporate culture reinforce one another. The presence of specialised personnel departments in a minority of SEDCs reflects and reinforces a relatively strong corporate culture. The personnel department in Johor SEDCs plays a central role in formulating personnel policies such as recruitment and selection procedures, reward systems, training and development policies and appraisal procedures which imply the type behaviour and attitudes that are important for organisational success.

According to Gowler and Legge (1986: 11), one of the ways in which the message of management recognition, value and appreciation for employee performance -hard work and dedication- can be conveyed to the employees is by means of a formal statement or a message made by the Chairman or the chief executive of the corporation. Such a statement is an important motivational tool because it is read by the public, including the union and employees of the



organisation. Gowler and Legge suggest that the images of employees can be justifiable by analyzing the Chairman's statement. They have identified six images of employees : hero, public servant, resource, employment statistic, potential liability and victim. Employee image as "Resource" and as "Public Servant" provides clear illustrations of the management recognition and value for employees' career development and orientation and appreciation for employees' effort, dedication and commitment to the organisation. On the other hand, images of their employees as "the invisible employees", as "victim", as "potential liability" and as "employment statistics" ignore the presence and contribution of employees in the organisation. In such cases, the appreciation and the concern for employee performance is not well recognised by the management.

The SEDCs Chairmans' message in the Annual Report of the SEDCs illustrates the extent and the elaboration of employee images favoured by each SEDC. In comparing those used by Johor with those of other SEDCs, it was discovered that Johor SEDC which has an explicit management philosophy uses employee images of "Resource" and as "public servant"(see Table 7. 8).

The Johor Chairman's messages provide clear illustrations of the management recognition and value for employees' career development and orientation and appreciation for employees' effort, dedication and commitment to the organisation. For instance, the statements on corporate images and images of employees were consecutively and broadly elaborated in the Johor's Chairman's message and in the Executive Director's conference paper which was presented at international conference in India in 1988. Both statements indicate that there is a consistent perception about the corporation as a commercial

operation that strives for efficiency and profitability through employee development. As the Chairman wrote,

"Apart from undertaking the above development projects or commercial projects which have defined development effects, the Corporation is also involved in the corporate sector with projects clearly based on commercial principles and implementing through companies operating in the private sector. This is vital to the Corporation's long-term capabilities and the ultimate aim is to make the Corporation financially strong and self reliant so as to enable it to take development projects to benefit the people without being a national liability and a burden to the tax payer. Finally, I would like to state that the achievements of the corporation in 1987 as well as its continued success has been and will continue to be fully dependent upon sharper management skill and more efficient and effective management. It will depend as well upon concerted efforts and sustained cooperation through all levels, including the Board of Directors as well as staff of all levels, its subsidiaries and Associated Companies" (Chairman's Message 1987).

At an international conference, for instance, Johor's Executive Director has also indicated the management concern for its employee training and development and has regarded its employees as a "skilled resource":

"In terms of priority, the Corporation when first established sought to implant strong work ethics and positive commercial attitudes in its staff consonant with its targets and objectives. This was urgently required as members of the staff generally lacked commercial experience and many among them had developed behavioural patterns, social attitudes and an outlook on life based on an environment which was less disciplined and demanding, nurtured largely by their rural background and dominated by simple and structured relationships at village level. Also important in the early stages were deliberate and severely enforced attempts to eradicate 'bureaucratic' attitudes or narrow 'government-servant mentality'. - (Executive Director's Conference Paper in India, March 1988).

It was clearly found in the Annual Reports that most SEDCs ignore the presence of employees, show little respect for employee competence. However, it is not surprising that most of the SEDCs do not realize, overlook and undermine the significant effect of the Chairman's expressions of respect for the employees as a motivational tool for employee motivation and work satisfaction. The appreciation and the concern for employee performance is not

well recognised or is neglected by many SEDCs. Unlike Johor most SEDCs prefer the images of their employees as 'the invisible employees', as 'the public servants' and as 'the employment statistic' because they tend to ignore their presence (see Table 8.7).

In Johor SEDC, there is no union but the management encourages open discussions and dialogue between the chief executive and all levels of staff. A meeting between all levels of staff i.e. officers, clerical staff and manual workers, and the executive director is conducted every January at the beginning of the year. In addition, meetings between officers and the executive director, are set sometimes in the middle of the year, probably in June. The reason given for choosing these two different dates for different groups of employees is that it could provide information on previous achievement, targeted and expected performance for the year, and a half- year performance review. Besides such meetings, the corporation managed to set up a Quality Control Circle (QCC) called "CEMPAKA" (Suggestions and Ideas Toward Excellence) in early 1989. It is a management effort to encourage employee participation in the productivity drive, to improve management-employee relationships and to foster teamwork. It was reported that there are now 14 registered QCCs which have provided 524 suggestions during the 1989 period, of which 100 were accepted for implementation. Monetary incentives were awarded to successful QCCs and to individual employees whose suggestions and ideas were considerably important to improve organisational productivity. I had a chance to observe one of the QCC's suggestion which had been implemented when one administrative officer simply pointed at the new collection of payment counter service in the department of property and said,

"Before, there was no such counter. After we had recognised the suggestion made by the QCC group, we changed the collection system by providing a separate counter for the public."

Similarly, in the case of Pahang, the management placed a high value on human resource development and recognized the HRM department as important as other functional units. The management recognize that human resource management is one of the most important factors in its success. This acknowledgement only really took place in 1989. The human resource manager of Pahang gave the following reasons for its serious attention on human resource development :

"The management philosophy of Pahang SEDC is expressed in its concern for employees, customers and owner - the state. The corporation treats its employees as professionals and therefore, we recruit the best employees, our promotional process is not based on seniority. and we establish a human resource committee for training. We have developed Quality Control Circles (QCCs) at the lower level operation, a Management Quality Team (MQT) at the managerial level and a Small Group Activity (SGA) at departmental level. For the last two years, we have been working towards developing a corporate culture and we hope to get it finalized in the middle of this year, i.e. 1989."

In this research project, it was found that Pahang SEDC has begun to recognise the importance of positive corporate culture in the organisation. Thus, although there is no specialist personnel manager, the administration manager is given the task of formulating the organization's corporate culture that ensures the organization's future growth (profitability) and high employee morale (positive attitude towards the organization). For one thing, Pahang SEDC is not similar to the others in that it has a human resource committee for training and development and it recognizes the success and achievement of employees at home (with their families). For example, the management has given a form of

financial assistance and a letter of excellent service to those employees whose sons or daughters are being successfully admitted into the university. Family outings among employees and their families are organized yearly in order to foster closer relationships and a sense of togetherness among all levels of employees.

**Table 8.7**  
**Images of Employee used by the SEDCs**

<b>SEDCs</b>	<b>Images used</b>	<b>Annual Report (Referred)</b>
Johor	Resource, Public Servant	1987, 1988
Selangor	Statistics, the Invisible employee	1987, 1988
Penang	The Invisible employee	1987
Pahang	Potential Liability, Problematic	1986
Perak	Problematic, Victim	1986
Negeri Sembilan	The Invisible employee	1986
Perlis	The Invisible employee	1987
Kelantan	The Invisible employee	1987
Kedah	The Invisible employee	1987
Terengganu	No Chairman's Message	1984
Melaka	Not available.	



In Pahang, various efforts to increase employee morale (attitudes towards work, teamwork, supervisor and company) were initiated through formalised and structured productivity programmes. At the same time, the Quality Management Team (QMT) was formed and was assigned to draft various motivational programmes designed to achieve human resource management objectives, including employee commitment to the organization, work attitude, communication. The motivational programmes which have been organised in 1990 include group meetings, monthly departmental meetings, press releases on Pahang's performance and activities, morning prayers, morning exercises, monthly publications and bulletins and usage of common toilets (between officials and rank-and-file employees). In addition, an employee suggestion system has been introduced into the organisation. A suggestion column in the internal bulletin was made available for all employees to provide suggestions, recommendations and to reveal their dissatisfaction about the management. Although, it was discovered that such suggestion systems were not so effective because of a poor employee responses, the management nevertheless decided to continue providing such columns hoping that the employees once they become accustomed to the new arrangement and culture will not hesitate to give their personal view. Thus it can be argued that the corporate culture of Pahang SEDC seeks to reflect and reinforce the strong pre-existing organizational, localised and community based networks and relations.

In one sense Penang SEDC (PDC) is unique among SEDCs. Despite all SEDCs having similar organisational objectives, such as to fulfill the government's New Economic Policy (NEP), there are cultural differences between Chinese dominated Penang SEDC and other remaining Malay dominated SEDCs. Penang SEDC is a Chinese-dominated SEDC for the reason

that Penang state's population is comprised of Chinese (the majority group in Penang island), Malay, Indians and others. The reason for such an ethnic composition is presumably due to the small number of rural and agro-based Malays and the large number of commercial and business-based Chinese in an industrialized state like Penang. Thus, it is not surprising to find that the state's ethnic composition and political environment is reflected in the PDC's employment pattern. In 1990, the employment of Penang SEDC according to race showed that the percentage of Chinese employed at the managerial and clerical levels was higher than the Malay. However, the percentage of Malay employees in manual groups (65%) is much higher than the Chinese (10%). Such employment distribution indicates that the Penang SEDC was more centrally controlled by the Chinese group, compared to the other 10 SEDCs (Table 8.8).

The prevailing cultural values of Chinese managers tends to shape a different type of organisational character and managerial behaviour, away from typical characteristics and managerial styles of "totally" Malay SEDCs in which homogeneous social and cultural values and norms tend to exist. The ethnic differences in beliefs, values and management practices are reflected in the corporate culture of Penang SEDC. The dominated Chinese culture of personalism and paternalism allows personnel management practices to be less formalised and personnel decisions are more centralised at the top management. Organisational performance is accorded high importance and gets extensive management attention.



**TABLE 8.8**  
**Penang SEDC's Employment Statistics, June, 1990 by Races**

Job Category	Malays	Chinese	Indians	Others	total
Managerial	22 (33%)	31(46%)	14 (21%)	-	67
Technical and semi-professional	9 (56%)	6 (38%)	1 (6 %)	-	16
Clerical group	45 (31%)	76 (53%)	22 (15%)	1	144
Manual group	123 (65%)	19 (10%)	47 (25%)	1	190
Total	<u>199</u>	<u>132</u>	<u>84</u>	<u>2</u>	<u>417</u>

In Penang SEDC, a clear indication of a managerial concern about public image was reflected in their managerial styles and attitudes towards the public and the employees. During this research project, the kind of warmth and easiness which they foster was firstly felt when I made a call to fix an appointment with the managers. It was such an open attitude that my access to the organisation was not difficult. For instance, my first meeting with the deputy general manager, and subsequently with two departmental managers and an officer, was made through personal telephone calls. During my telephone conversation with the deputy general manager, he asked me to see him immediately even though on that same afternoon he was expecting a few Japanese visitors. Such a concern for public and employees supports the claim made earlier by the deputy general manager during our discussion :

"In this corporation, the vertical relationship between the top managers and the departmental managers reflects the "openness" and informal approach of management. Employees are encouraged to reveal and discuss their problems without going through the departmental managers. Employees at any level are directly welcome to see and discuss their problems and grievances without going through the heads of departments."

From the statement made by the top executive, it can be assumed that the paternalistic organizational climate, the personalistic network and the domination of one executive in decision making had been influenced by the ethnic-Chinese management styles (Clegg and Redding 1990: 86). This policy is reflected in stable employment patterns within the corporation.

During my meeting with a female senior manager at Penang SEDC, she mentioned the very long average span of managers working in PDC which is 15 years. She also emphasized that an open management concept has been long practised in the organisation. On our way out, she pointed to the office layout and said: "Look at my department. It's an open system". Officers and clerical staff were working closely to each other. There was no separate rooms or partitions for officers.

Table 8.9 indicates the number of years each senior manager has been with Penang SEDC. Seven out of eleven or about 64 percent of managers have been in the organization for ten years and more; three or 27 percent work for five years and more; only one manager has been in the organization for less than a year.

**Table 8.9**  
**Years in Penang SEDC**

<b>Number of Managers</b>	<b>Years in the Organization</b>
2	17
1	16
2	15
1	12
1	10
2	6
1	5
1	1

The degree of managers' work satisfaction and motivation could be inferred from results reported in Table 8.10. Data were drawn from questionnaires which were administered to functional managers in Penang. Table 7.12 indicates how the managers feel and agree about the organisation's concern for its staff and for participative management and their relative degree of satisfaction. The overall results reflect high morale and satisfaction among managers, which can be measured in terms of attitudes toward work, working conditions, supervisors, managers, and the company as a whole (see Negandhi and Prasad 1971: 99). As it has been pointed out, a high degree of involvement and participation of functional managers may consequently reduce dissatisfaction and increase managers' morale.

**Table 8.10**  
**Managers' Work Satisfaction**  
**n = 11**

	Number of Managers			
	Agree / Satisfied	Disagree / Dissatisfied	Not Sure / Indifferent	Missing
Management Concern For Its Staff	8	1	2	
Participation in Decision Making	9	1		1
Appraisal System	4	5	-	2
Employee suggestion System	6	2	-	3
Good Communication from management	10	1	-	-
Freedom to define content and pace of work	7	2	2	-
Good Relationships with superior	10	-	1	-

In all, the above findings suggest that corporate culture facilitates personnel management practices and vice versa particularly in Johor SEDC. In this organisation, management believe that a high degree of organizational performance can be achieved through effective personnel practices. These include a managerial concern for organisational improvement through group involvement, monetary and non-monetary reward systems and continuous group meetings. The above explanations also suggest that these three SEDCs have transferred a considerable degree of Japanese corporate culture (Clegg

(1990:184-207) that suits the Malaysian value system that emphasises collectivism and community (see Hamzah Sendut: 1991: 62). The findings from Malaysia provide some support for the views of Deal and Kennedy (1982) and Peters and Waterman (1982) that the effective management of corporate culture is a condition and consequence of organisational success.

#### 8.4 SUMMARY AND CONCLUSION

The research findings presented in this chapter identify four major factors which facilitate the development of personnel management in a minority of SEDCs. These were identified as : the degree of autonomy from government constraints and requirements and financial success, its location, the organizational size and structure and corporate culture. These factors were especially apparent in the most successful SEDC at Johor which recognises the contribution of human factors to economic and behavioural effectiveness. Its belief in people - management and in striving for business prosperity is reflected in its corporate culture and mission statements, specialised personnel department and into human resource management practices. The above explanation suggests that the Johor SEDC and later the Pahang SEDC have translated a considerable degree of its management philosophy into practice within the organisation.

By contrast, Penang SEDC (PDC) is characterised by cultural and religious heterogeneity, and centralized decision making. Penang SEDC creates a paternalistic and personalistic culture which stresses "openness" between top level management and employees. High morale and satisfaction were found among managers in PDC, although it was not found that employee

commitment, trust and satisfaction to be closely associated with take-up of human resource management initiatives (see Clark 1993). In conclusion, the personnel management practices were found to be more advanced in organizations which were financially successful, strategically located and larger in size and which have a clear management philosophy toward employees. The presence of personnel management, financial success, organisation size and structure and high employee morale were found to be a condition and consequence of one another. They were all part of a self-fulfilling positive circle of organisational success.

## CHAPTER 9

### CONCLUSION

#### 9.0 INTRODUCTION

This final chapter summarises the analysis presented in previous chapters of the findings from research interviews with line and staff managers that were conducted in the 11 SEDCs in West Malaysia. It also highlights the research implications for organization theory and human resource management perspectives, implications for the management of Malaysian SEDCs and implications for future research.

Overall, this thesis has highlighted the relative absence of human resource management practices and specialist personnel departments in the majority of Malaysian public enterprise organisations known as the State Economic Development Corporations (SEDCs). It has examined barriers to the emergence of professionalised personnel management and the negative consequences of both the absence of personnel management departments and the ineffective personnel practices of many SEDCs. In addition, the thesis has contrasted those organisations with the few SEDCs where personnel management practices and independent personnel departments were more evident. It was in these particular organizations that some economic success has been achieved. We will now outline the summary of findings.



## 9.1 SUMMARY OF FINDINGS

The research findings presented below highlight the overall inadequacies of the personnel management practices as they appeared to be implemented in the various SEDCs. A major finding of this research is that most Malaysian SEDCs do not operate effective personnel practices. This is revealed in the following discussion that focuses upon the policies, status and practices of specific personnel functions in Malaysian SEDCs. In particular it considers: personnel management policy; the status of the personnel department; selection, promotion, and appraisal procedures and practices, and finally training and development. The findings concerning each of these critical areas of personnel management which is affected by both cultural and organizational factors will now be considered in turn.

### 9.1.1 Personnel Policy

The study reveals that in many SEDCs there were no special features of personnel policies that were determined at local level. Rather, in most cases policy and practice was shaped by the guidelines and the representatives of the Malaysian state. In regard to pay administration and other fringe benefits, the management of many SEDCs strictly followed the Department of Public Service personnel guidelines.

Such practice prevails in most SEDCs primarily because they are government agencies legislated under the State Legislatures Competency Act, 1962. In consequence, the formulation of personnel policy is usually highly centralised and is the responsibility of the chairperson and members of the board of directors. Personnel matters such as selecting and promoting their employees

at all levels are usually controlled or decided by board members. By contrast, employee training and development programmes are mostly decided by the general manager. Such centralised decision making reflects the power of the manager who in adopting the role of the "owner-manager" has the power and authority over the day to day operation of the corporation. Hence, in Malaysian SEDCs, the general manager, (usually appointed by the chairperson or minister) or the chairperson (the Chief minister of the state) tends to exercise his power and authority over the operations of the corporation. Authority resides in these few individuals and is rarely distributed throughout the managerial structure. As a consequence, most managers interviewed stated that there were no specific features of personnel policy formulated by its own management. If there was any such policy, it was often perceived to be rather vague and unclear.

These findings suggest that personnel policies tend to be determined either by the state or by the senior line management who are more influenced by political or commercial realities respectively rather than by the specific concerns of the specialist personnel function. The state control and centralized nature of policy construction in regard to personnel matters raises enormous problems about the power and status of the personnel department in Malaysian SEDCs.

### **9.1.2 Organisation and Status of Personnel Department**

The degree of senior managerial concern for human resource planning and development can be evaluated in part by the status and the organisation of the personnel department. Only where the personnel department is separated from the general administration department and is managed by a specialist

personnel manager or executive can the function begin to play a significant and autonomous role in the overall corporate strategy and business of the corporation. It was found that 8 out of 11 SEDCs did not have a separate personnel function with a specialised personnel manager, solely responsible for formulating and implementing effective personnel policy. In these eight organisations, the personnel function was usually part of the general administration headed by administration managers. Yet by contrast, it was discovered that Selangor and Johor did have separate personnel departments with specialised personnel managers. Among the smaller and less successful SEDCs, only the Negeri Sembilan SEDC organised its personnel function as a separate unit. In Penang SEDC, the personnel unit is the part of administration department which directly reports to the general manager.

According to the vast majority of research respondents, the personnel managers or officers who were actually assigned to be responsible for personnel administration were not trained or specialised in the principles, philosophy and techniques of personnel management. In addition, most personnel functions were handled by the administration manager who then assigned one administration officer and a few clerks to coordinate personnel records, basic pay administration, leave and absence. Even though personnel activities such as training and development programmes and performance evaluation systems were found to exist, personnel departments in most SEDCs tended to have a residual organisation function with little influence over strategic decision making. These personnel programmes and systems were rarely integrated with the corporate plan, strategy and business competitiveness. In consequence, they merely constituted routine administrative practices and procedures.

In most SEDCs the role of the personnel function in the organisation was perceived to be relatively unimportant. This implies that throughout the Malaysian SEDC sector, where human resource/personnel departments existed, they were routinely devalued and downgraded by other managerial specialisms. When asked about the role of the personnel department in the organisation, most managers tended to agree that the personnel function in the SEDCs was not functioning effectively.

In general, the function of the personnel department is somewhat less significant because, as the previous section revealed, most decisions concerning human resources were at best shared and at worst were not the responsibility of the personnel department and could even be imposed from outside the SEDC. As a result, in many SEDCs the personnel function was not given the opportunity to prove its significant contribution to the overall development of the corporation. Decisions regarding personnel matters tend to remain the responsibility of either general managers or the board of directors. As the following section elaborates, the marginal role of personnel within many SEDCs impacts significantly upon selection, promotion and appraisal practices.

### **9.1.3 Selection, Promotion and Appraisal**

For several reasons, the selection and promotion process is the most sensitive and critical personnel function in the SEDCs. First, the SEDCs are government agencies that provide job security, a relatively better pay scheme at entry level than many private enterprises and other fringe benefits. Thus, the corporations obviously attract a large number of applicants (especially from

Malays) for a limited number of positions. Consequently whilst selection methods tend to be less systematic, demand for vacancies is very high.

Equally, SEDCs are a relatively closed organisation in which the board of directors and the chief executive officers have extensive autonomy and authority over the operations, selection and promotion in particular. Final selection and promotion decisions for all levels of positions were made by the selection and promotion committees that include the board members and the general manager. In many instances, functional managers did not participate directly in the selection process. Despite its sensitivity, recruitment in some cases remained ad hoc and informal. The research findings suggest that, in certain recruitment exercises, there was no advertising of vacancies and no screening of applications for managerial level positions, in particular, because these new employees were usually recruited through personal contacts and recommendations. Such informal procedures facilitate managerial discretion to discriminate in favour of particular groups (see also Collinson et al. 1990). In addition, since most functional managers, including personnel officers, were not usually present in the selection committee or have little "final say", such recruitment practices tend to reinforce a negative view of the personnel function as less important.

The findings also reveal that selecting and promoting employees at all levels were first subjected to government approval. This high degree of state control and political interference could not be eliminated because it is a reflection of the federal government's financial involvement in the SEDCs and their commitment to positive discrimination. In state corporations, opportunities for promotion are very limited compared with other federal government organisations. Moreover there are no specified and systematic criteria for

promoting employees. At the managerial and supervisory levels, personal ties and the power of general managers to make recommendations were highlighted as important factors affecting selection and promotion.

In regard to the appraisal system, generally, written annual appraisal reports were completed in all SEDCs by respective heads of departments who submitted them to the personnel department. Here again questions of effectiveness, reliability, validity and fairness over performance assessment tend to remain critical and unresolved issues. Indeed, the appraisal system which was dependent on the superior's subjective judgement was criticized by many respondents. They were therefore critical of these appraisals because of the perceived inconsistent and unmeritocratic nature of final assessment. According to many respondents, rather than being used as a performance review, appraisals were only considered when promotion decisions were made. In addition, there was a widespread failure across SEDCs to specify formalised performance criteria and performance evaluation objectives. This, combined with a failure to link pay and performance were widely identified factors that generate major discrepancies between the reward system and performance and in turn reduces job satisfaction.

These problems concerning appraisal were also acute because of the career blocks and educational barriers to success that were evident in most SEDCs. Indeed, it is now impossible for B-group employees (i.e. non-degree holders) to be promoted to A-group officers (i.e. degree holders) in any government departments. Accordingly, the performance appraisal system is reduced to nothing more than just a routine administrative exercise conducted on an annual basis. This in turn means that there is no relationship between



employee performance and satisfaction because the reward system fails to encourage performance increments. Indeed, it could be argued that productivity and satisfaction are negatively related when, according to some respondents, all employees, across the board (regardless of whether they are high performers or not) were given similar assessment and annual pay raises.

Many managers interviewed felt that superiors were evaluating their personal achievement and performance as the most important criteria for reward, i.e. promotion. Other more interpersonal considerations and social skills, such as "getting along" with others in their own department and with other employees in other departments were treated as least important. Consequently, group performance and the performance of subordinates was attributed less significance than personal accomplishment. Hence the appraisal system tends to promote an excessive individualism which downgrades teamwork and close working relationships and encourages every individual manager to demonstrate their own distinctive, unique and "superior" abilities. Thus, it can be argued that a more social or group based reward system is important if greater teamwork and group cooperation is to be established in many SEDCs.

#### **9.1.4 Training and Development.**

In public sector organisations like the SEDCs, training and development programmes were increasingly recognised as an important factor for employee career development. Many forms of training and development ranging from technical, supervisory, office administration, executive management to specific programmes were internally and externally conducted by senior staff and by those from government and private training institutions. The problem with



most training programmes was that they were not suitable and applicable to the particular training needs of managers. Moreover, the financial constraint and a lack of management commitment hindered training and development planning in many SEDCs.

Most of the managers felt that certain types of training were not suitable for their scope of duty and the tasks they were carrying. Most training which was conducted by the government training institutions were either too basic and elementary or was not appropriate for managers. Many personnel executives agreed that training programmes in the private training institutions were more relevant to managers' training needs. However, these private programmes were more expensive. Hence the training costs caused many less financially secure SEDCs to send their managers and other employees to government agencies.

The study also found that the involvement of line managers in training and development planning was minimal. In many cases, decisions about the type and content of training was generally made by the administration (personnel) department which only requested line departments to submit lists of managers to be sent for training. In certain cases, the types of training were decided by each individual manager on an ad hoc basis.

To summarise, the data presented reveal a broad managerial consensus regarding the absence or ineffectiveness of human resource practices across the SEDCs of Malaysia. In particular, the construction of personnel policy, the status of the personnel department and the particular practices of selection, appraisal, promotion and training were all perceived to be highly problematic by

respondents. Against this background, I now turn to a brief consideration of Johor SEDC which displayed more sophisticated personnel practices.

Human resource planning and development was facilitated at Johor by a relatively high degree of formalisation of all personnel management practices, written policies, rules and procedures. This in turn was a consequence of an active, separate Human Resource Management department which contains the specialised units of manpower planning, training and development and personnel administration. This human resource department plays a significant role in the formulation and implementation of personnel policies, relating and integrating selection, promotion, appraisal and reward and motivation systems. Its influence and power within the organisation was confirmed by the fact that senior HRM managers reported directly to the Executive Director of the SEDC. The human resource management department, in particular, had gained considerably more power and influence over the recruitment practices and decisions than is the case in other SEDCs. The autonomy of local management to control selection decisions has been crucially enhanced by the creation of an organisation devoted exclusively to the recruitment of employees for Johor SEDC. Like selection, appraisal and promotion practices were highly formalised within Johor SEDC. The promotion criteria and procedures for managers and clerical staff were clearly defined or stipulated.

## 9.2 IMPLICATIONS FOR ORGANISATION THEORY AND HUMAN RESOURCE MANAGEMENT PERSPECTIVE

The research findings reveal how the literature of human resource management and its primary recommendations is little reflected in the practices of Malaysian SEDCs (see Kamoche 1991: 4). In other words, human resource management in SEDCs falls short of the prescribed recommendations in the literature. The marginalisation of the personnel function and a lack of implementation of long range, integrated approaches has also been revealed and reported in U.K. organisations (see Collinson 1987), in the USA (Nkomo 1988), in Canada (Moore & Bu 1990), in Australia (Kane & Stanton 1991), in New Zealand (Gilbertson & Fogelberg 1991) and in Hong Kong (Graham & Chyan 1988). In addition, organisation size which had long been treated as an important variable in organisation theory has received less emphasis in human resource management (Guthrie & Olien 1991:269). This research reveals the importance of culture /sub-culture and corporate culture, the organisational structure and the significant contribution of human resource management initiatives to human resource development. The research supports the argument that human resource management decisions in general are exercised in a complex relationship with organisational and environmental demands or exigencies (Guthrie and Olian 1991: 262). These exigencies include culture (national and corporate culture), the organisation's financial position, competition and government policy.

The research highlights the importance of culture (national culture and corporate culture) for effective human resource management practices and in this respect the organisation history, the profile of existing senior managers and nationality (Oliver & Lowe 1991: 22) are clearly interwoven. The managerial model, i.e "what is done" as opposed to "what ought to be done" in the selection and promotion process, for example, is influenced by managerial values on "selectivity", "acceptability", "suitability" of candidates and/or informality of such recruitment and promotion process (see Jenkins and Parker: 1987).

The professionalism of personnel practices in an organisation will also depend upon formal personnel training and the status of the personnel management. In many cases human resource management in the organisation is completely subordinated to the board of directors and the chief executives. The personnel managers have no real influence upon the recruitment process. The choice of whom to hire is largely the prerogative of the board members and chief executives. Most personnel managers are not present at the board level.

The personnel management and organisation literature highlight the relationship between organisational effectiveness and good personnel management practices and effective structure. Many authors and researchers have identified indicators and determinants of the strength and the weaknesses of personnel policy and practices. These include manpower planning, recruitment and selection of key managers, training and development, reward and appraisal systems (Torrington and Hall 1987) and the structure of the organisation (Blau 1974; Thompson 1973). Hendry and Pettigrew 1986: 5) suggests that the systems and processes of human resource management (selection, performance, appraisal, reward and development) should be designed

and managed in ways consonant with organisational values and the direction of business strategy. Others like Peters and Waterman (1982: 89-327), O'Toole (1985: 35-65) Buller (1988: 27-33) found that in excellent or successful companies personnel management is embedded within both corporate and business strategies.

A contingency theory in organization studies suggests that the organizational size and structure are highly associated with organizational efficiency, and with behavioural and economic effectiveness. Size, for instance, was also found to be associated with organisational performance (Aldrich 1979; Potter 1991), compensation (Pfeffer 1983; Gerhart & Milkovich 1990), internalisation of work force (Edward 1983), structural dimensions (Pugh and Hickson 1976), divisionalisation (Donaldson 1985). Murray and Dimick (1978) discussed organisational size as a contextual variable linked to personnel policies and programmes, treating it as a constraint or facilitator on various human resource management programmes.

It has been suggested that organisational effectiveness suffers whenever the organisation design does not fit its mission, environment and resources (Lawrence and Lorsch 1967). This research finding suggests that the structure of organisation is one of the important mechanisms that must be considered in the management of large, complex and diversified organisations (Child 1988: 23; Miller 1987: 347-361). As an organization grows in size with many divisions, departments and hierarchical levels, a direct control from the chief executive is more difficult. Consequently, these larger organizations need means of coordination and control such as formalization, standardization and increasing administrative staff (specialists) and decentralization (Blau and Schoenherr 1971).

The research discovered that the formalization of effective personnel practices is achieved by larger and successful organizations which have more slack resources (Gerhart & Milkovich 1990: 667) and a stable demand for labour. A higher degree of bureaucratisation (higher hierarchical levels) found in large size organisations also increases internal mobility (job movement) than in smaller organizations (Pfeffer 1982: 165). In contrast, the personnel decisions of smaller and less financially secure corporations which have to adhere or comply to governmental demands and requirements and to adjust to resource constraints, are more centralised at the top executive level. Thus it can be argued that the development of personnel management in the SEDCs was found to be affected by a high degree of resource dependence or interdependence and a low degree of management autonomy. The argument can be supported by the resource dependence theory (Pfeffer and Salancik 1978).

The research findings suggest that there is a relationship between organizational size and divisionalisation, specialisation and decentralisation (Pugh and Hickson 1976) of personnel management practices. In this research, it was found that in larger organisations the degree of differentiation (divisionalisation and departmentation) and specialisation is higher than in smaller organisations. These larger organisations have specialised personnel units for direct control of personnel practices. Thus, the findings support the argument that size increases may generate increased structural differentiation which necessitates a direct control (administrative control) through functional specialists (Clegg and Redding 1990: 13). The findings support Blau's (1974) theory of differentiation which suggests that differentiation occurs when the number of geographic branches, occupational positions, hierarchical levels, divisions and units within branches or divisions increase (in Miner 1982: 396).



This research also supports various arguments and suggestions that the structure of larger firms is more functionally specialised than smaller firms. As the Aston researchers argued in the following terms:

In all countries, big organisations will be the most formalised and specialised in structure. This is because everywhere growth means reaping economies of scale and of expertise by dividing labour still further, and as the knowledge possessed by any one person of what is happening in the organisation becomes a smaller part of the whole, so more formalised documentation of action and intended action is required for control. Non-formalised custom is inadequate to control large numbers in organisations with a turnover of personnel (Hickson et al. 1979: 37).

Within the available U.S and U.K literature, it is now widely argued that the effective management of human resources is central and vital to organisational performance (Torrington and Hall, 1987). Conversely, it is also suggested that where human resources are mismanaged, the organisation is unlikely to perform well. At minimum, a formal and systematic human resource management policy should include a structured, coherent and integrated approach to : human resource planning, job design, staffing, training, performance appraisal, payment, employee protection and representation and finally organisational development (French, 1990).

The significant contribution of personnel management and structure to organisational efficiency has also been highlighted in the study of public enterprises. Many studies on public enterprises have indicated various factors which contribute to the efficiency and effectiveness of public enterprises are managerial autonomy, managerial structure, incentive plan for able, talented and creative personnel, effective recruitment and selection of personnel, as well as management's sensitivity to the environment (Hanson 1965). Thus, there is a general tendency for drawing the conclusion that formalised personnel policies



and procedures, decentralised personnel decisions and structure are important means of achieving efficiency and effectiveness of both private and public enterprises (see Yacob Haile-Mariam and Mengistu 1988). These earlier-research findings are paralleled in the study of personnel practices in Malaysian SEDCs.

It has been suggested that organisational and behavioural effectiveness such as employee morale and satisfaction in the workplace, which are associated with relative wages and working conditions, opportunities for advancement and self-growth and supervisory styles, are more to be likely achieved by an organisation which has a clear management philosophy toward employees. In such an organisation there is likely to be specialised and formalised personnel function with more senior hierarchical status. Thus these structural conditions, i.e. senior managers' preferences and values and perceptions of strategic importance of human resource to organizational survival and performance (Watson 1987: 248) were in fact one of the factors which influences the development of the personnel management in the SEDCs.

In conclusion this research seeks to develop our understanding of human resource management, public sector organisations and employment in Malaysia. SEDCs have been a neglected area of study by Malaysian or Western organisation theorists. This research project has therefore sought to address this gap in the literature and to reveal the importance and potential of effective human resource practices and departments.

### 9.3 IMPLICATIONS FOR THE MANAGEMENT OF THE SEDCs

The research findings suggest that although personnel management practices like human resource planning, personnel policies on recruiting and selecting new employees, promotion, training and development, payment and performance appraisal do generally exist in Malaysian SEDCs, they tend to be ineffective. In Malaysia, the development of personnel management in the SEDCs is also influenced by enterprise location (Pugh and Hickson 1976) and culture (Redding 1990). For instance, personnel decisions in relation to recruitment and selection were more centralized at the top executive level in organisations which has been dominated or influenced by certain Malay cultural values and preferences. In this culturally embedded organisation, the paternalistic and personalistic approaches (as means of control) with more autocratic personnel decisions were exercised by the chief executives. Above all, the personnel function was not given much priority, authority or status.

The 'owner-manager' situation which prevails in most SEDCs, for instance, reflects the centralised power of the chief executive. The findings support previous international (comparative) management studies (Negandhi 1975: 97) which discovered that authority structures are highly centralised in developing countries. This research also supports the universal and standardised form or structure of public enterprises. Most SEDCs are organised on functional forms (Torrington and Hall 1987) and organisational power and authority are centred at the top executive levels. The prevailing structural condition of SEDCs, in fact, is a reflection of insensitivity of remuneration to economic performance, the absence of managerial accountability and measurement of managerial performance (Thompson 1989) and the non-existence of integration (Morgan

1989) whereby these non-specialised personnel systems which are authority dependent were not capable of acting on behalf of other organisational functions when necessary.

By contrast, managers in very few larger and financially successful corporations like the Johor SEDC, in particular, tend to be more aware of the significant contributions that effective personnel management practices can make to organisational success. These HRM procedures reflect both Johor's more systematic and integrated approach to personnel practices and its extensive autonomy from state control. In spite of government personnel policy to which all the SEDCs are required to adhere, the Johor SEDC prioritises innovative human resource management by ignoring certain government personnel regulations which hinder organisational effectiveness and the development of personnel work. It is no coincidence that Johor is also the most economically successful of Malaysia's SEDCs. That Johor is one of the largest SEDCs is also of crucial importance. Indeed, it might well be that size in this case shapes the resources that facilitate the emergence of HRM department and personnel practices. Regardless of the causal relationship here, it can be argued that the research suggests that good personnel practices have the potential to enhance organisational effectiveness.

The majority of SEDCs in Malaysia have not been successful in economic terms. Accordingly, the Malaysian government is looking to privatise most public enterprises as soon as possible. This emergent policy is informed by the argument that state control inhibits organisational effectiveness and managerial direction. And yet, state control over the SEDCs was initially designed to facilitate positive discrimination. The danger of privatisation is that the

employment protection of the Bumiputra will be lost in the process. Another is that managerial control will be intensified and centralised.

An alternative to privatisation might be the establishment of more effective personnel practices which, in their formalised and systematic character, provide a framework for good practice. In turn, effective personnel practices could overcome the centralisation of control by encouraging greater employee involvement in organisational decision making. The encouragement of effective personnel practices that incorporate employee involvement is of crucial significance for Malaysian corporations whether they are privately owned or controlled by the state. Greater status and visibility in the organisations is a precondition for a more effective and strategic personnel management and for the implementation of more autonomous and productive personnel practice.

The rapid technological advances, the growing complexity of Malaysian society and increasing uncertainty and competitiveness in the business environment have accentuated the significance of managerial roles in the organisations. The strength of the organisations now seems to lie on a set of interdependent personnel policies that maximize organisational integration, employees' commitment and flexibility and quality (Guest 1987, in Clark 1993). It is therefore suggested that the human resource strategy in Malaysia public enterprise, in particular, needs to be formulated with the following objectives :

1. That the human resource policies and systems be used to facilitate employees' commitment, flexibility and quality improvement in order to achieve organisation's overall objectives.
2. That the public enterprise can retain and attract qualified high-level staff. This high-level manpower will be fully utilised.
3. That the public enterprise provides training and development programmes to enhance the quality of the workforce so that it is adaptable to a changing technological and industrial environment.
4. That human resource policies fosters both horizontal and vertical integration in the organisation.

In Malaysia, the western-oriented management practices which have been introduced by foreign investors (expatriates) and western-educated Malaysian managers were adopted in many large business corporations. Whereas, small businesses, medium and large size family-owned businesses may have incorporated management practices which have been brought into Malaysia by the immigrants from China and India (Gergory Thong Tin Sin 1991: 161). The rural-based Malays (the Bumiputra) who are comparatively new to business and prominent in various government departments and agencies are still to absorb all kinds of unfamiliar management ideas. They are more patriotic and sensitive to the moods of other people (Hamzah Sendut 1992: 67). Religion and moral values are the basis for the cultural identity of the various races. Islam for the Malays, Confucianism for the Chinese, Buddhism for some Chinese and Hinduism for many Indians. In a multi-cultural society like Malaysia, it is

important that the management be aware of and knowledgeable about the sensitivities and behavioural norms that are specific to each of the racial groups. As such, it is important to develop a clear understanding of the historical, social and cultural factors which influence the manner in which personnel management is practiced in the country. The success in implementing management techniques will be dependent on the objectivity of the managers.

#### 9.4 IMPLICATIONS FOR FUTURE RESEARCH.

The grouping of organizations into larger and smaller, and into financially successful and less financially successful may also raise certain questions and arguments for specific reasons :

- i. The concept of financial success in the study of public enterprises organizations is problematic. The performance measures of the SEDCs was outlined without considering other socio-economic and non-economic achievements which have been explicitly stated in the New Economic policy. For instance, an organization which priorities social projects over profitable but financially risky business activities is less profitable but achieves the organizational, as well as political and social objectives.
- ii. The time frame in measuring the financial performance of SEDCs were based on 1986-1988 period during which the economy was in the early stage of recovery after the recession period of 1984 -1986. It has been forecasted that in the coming period of 1989 and onwards, Malaysia's economy is moving upward with increased foreign investment and industrialisation. Such an upturn in the



economy is reflected in a bullish property market, active construction industry, opening of new industrial sites and growing rates of employment. It is likely that during the coming economic progressive periods many small and less successful government corporations will financially gain from more supportive and protective trade and investment opportunities. For instance, it was recently reported (in Mid. 1990) that a number of less successful SEDCs have secured considerable profits from their sale of losing subsidiaries, disinvestment, privatisation of projects and active participation in industrialisation and commercial activities on a larger scale. Thus it could soon be realised that the number of successful SEDCs will be increased in the coming years of economic growth. Consequently, the relationship between resource allocation (availability of resources), organisational size and structure and its implications on personnel practices will become clearer.

## 9.5 IDEAS FOR FUTURE RESEARCH

There is a neglect of studies of compensation systems in public sector companies in Malaysia. Indeed according to Pfeffer (1982: 129) this neglect is also the same in organisation studies. Based on this argument, it is suggested that future studies of personnel management in public sector organisations should focus on compensation systems. These compensation systems (pay and rewards) are found to be problematic in public sector organisations.

There are two types of compensation or incentive systems, i.e. the random reward system (contingent upon factors independent of performance) and negatively contingent reward system (rewards which are based on factors that happen to be inversely related to performance). It is quite possible that one



could investigate their effects on managers' and subordinates' work strategies and participation and intrinsic motivation. Subsequently, one could probably assess the economic consequences of managers' and subordinates negative behaviour resulting from ineffective compensation system (Mirvis and Lawler 1977, in Katz 1980).

As suggested, if rewards are not positively contingent, then the administration of rewards will not only fail to encourage performance increments, it may also increase dissatisfaction and ultimately absenteeism and resignation among highest producing employees. It has been discovered that in an organization where the supervisor's ratings were negatively related to performance, satisfaction and productivity negatively related. This means that high performers are dissatisfied because they feel cheated; whilst low performers are more than satisfied with their relative increases in pay (Katz 1980: 226; 263).

In Malaysia, further research in human resource management can be extended to privatised government departments and agencies. Since 1980s, many large financially successful government agencies like telecommunication, electricity, railway and the postal service have been corporatised or privatised. The effectiveness of these privatised corporations can be measured not only in terms of financial performance but also in their level of employment, the implementation of government human resource planning and policies, improved personnel systems in pay, reward, training and development and industrial relations and their effective utilisation of financial and human resources. This future research may answer the question "Is a change of ownership, i.e from public ownership to private ownership really a key issue in the development of human resource management in Malaysia?". It has been

suggested that the future research method should go beyond survey questionnaires and interviews into more observational-style approach (see Storey 1992: 278).

## Appendix 1

### Variables and Data Analysis

#### 1.1 Variables

##### The Characteristics of SEDCs and their Managers

It has been suggested that organization studies have to consider or examine internal factors, as well as external factors such as the socio-economic-cultural variables or conditions which have a stronger impact on organizational structure than certain current results suggest (Donaldson 1985: 117). The structure (culture) of a society or the groups within it also explains individual's values and preferences (Watson 1987: 100). Silverman (1968) thus suggests that the task of organization analysis is the study of society and that all sociological studies 'begins with a research problem relating to the structure of the society rather than to the 'organization itself' is to prevent the built - up of the sort of knowledge which comes from the study of 'the organization itself' (see Donaldson 1985: 117-118). As such, the socio-cultural setting is also considered in this research.

The profile of managers provide the characteristics of managerial competence, as well as the values, needs and motives of managers. The data also describe the general characteristics of SEDCs' management groups in terms of managers' functional specialities, managerial roles, management competency and their career orientation and aspiration. The analysis of managers' profile may indicate the impact of individual managers and the management team on management practices as well as organisational performance (Negandhi, Yuen and Eshghi, 1987: 67-79). The characteristics of management can be described by the following variables (see Appendix 1).

- V1. Position.
- V2. Department.
- V3. Age.
- V4. Sex.
- V5. Ethnic / status
- V6. Marital Status.

- V7. Number of years in the organisation.
- V8. Number of years in the position.
- V9. Highest level of education attained.
- V10. Principal areas of education and training.
- V11. Nos. of organisations worked for in the last ten years.
- V12. Nos. of positions held within this organisation.

### **The Personnel Policy (Philosophy).**

The management policy or philosophy, viz. the management concern for employees, may be derived from the stipulated personnel policy and objectives of the organisations. It is suggested that the personnel policy may influence not only the extent of personnel practices but also the structure of the organisation. The personnel policy may be evaluated and evidenced by the scores on the following variables (see Appendix 1):

- V24. What would you identify as the key features of personnel policies?
- V25. Are these policies effective?
- V27. Are there specific policies about personnel management?

### **The Utilisation of Advanced Personnel Practices.**

Personnel practices are inferred to the extent to which the organisation employs various personnel elements: manpower planning, recruitment and selection, a pay and reward system, appraisal and promotion, training and development. The following variables may indicate the extent of effective and advanced personnel practices (see Appendix 1):

#### **1. Personnel administration variables:**

- V42. Extensive and continuous manpower planning.
- V43. Limited and continuous manpower planning.
- V44. Ad hoc and/or discrete.
- V45. No manpower planning.
- V47. Types of monetary reward.
- V48. Types of non-monetary reward.

V78. Do you believe that the appraisal system is working effectively?

V81. Are you agree with the present wage determination?

V105. Do you think that there are further promotion opportunities for you?

V108. Are you satisfy with the training decisions are made?

V152. Does your present job make full use of your academic achievement, work experience and abilities?

2. Training and development: V106 to V109.
3. Management perception of employees' need: V140 to V148.
4. The importance of selection criteria: V83 to V90.
5. Selection criteria for recruiting managers: V67 to V75.
6. Appraisals: V76 to V79.
7. Managerial succession: V90
8. Pay and reward system :V62 to V66; V80 to V82.
9. Communication: V104, V158, V159, V162.

### **The Roles of Personnel Department.**

The extent of roles of personnel department indicates the significant importance and the strategic contribution of the personnel department to organisational effectiveness and efficiency. The following variables may indicate the strategic importance of the personnel department (see Appendix 1).

1. The functions of personnel department: V91 to V119.
2. Decision making in selection of personnel: V91 to V119.
3. Decision making in promotion of personnel: V61 to V66.
4. Factors affecting selection and promotion process: V101 to V103.

### **Morale and Job Satisfaction**

Behavioural effectiveness is measured in terms of employee morale and job satisfaction. It is suggested that the level of morale and the degree of job satisfaction may be associated with the extent of effective personnel policy and practice and organisational design. Morale and job satisfaction may influence employees' attitudes, interests and enthusiasm for their work. Job satisfaction and morale can be

specifically measured by various instruments including types of work, pay and rewards, opportunities for promotion, supervision, personnel policies on employee benefits, status and recognition and communication (Smith, Kendall and Hulin 1969: 48-59).

The following variables may describe employee morale and job satisfaction in SEDCs.

V153	Interesting work.
V154	Responsibility given.
V155	Career prospect.
V156	Job security.
V157	Satisfaction with pay.
V158	Good relation with colleagues.
V159	Good relation with superiors.
V160	Recognition from management.
V161	Freedom to define content and pace of work.
V162	Communication from management.

## 1.2 Data Analysis (Types of Statistical Analysis)

The following statistical techniques are used to describe the extent of personnel policy and practices, organisational design and morale and job satisfaction.

1. Frequency distributions are used to describe the characteristics of SEDCs and their managers in relation to structures, personnel profiles of managers and personnel practices.
2. Chi-test is used to test the relationship and association between two groups of SEDCs: (1) those without a personnel department (2) those with a personnel department.



3. The T-test is used to test whether the two groups of SEDCs, i.e. those having personnel department and those without personnel department, have any differences in terms of:

- i. Perceived importance of personnel manager.
- ii. Job satisfaction among managers.
- iii. Personnel policy and practices.

4. A Spearman's rank correlation is constructed to examine the degree of correlation between the following variables:

- i. Manager choosing to work in the organisation and personnel practices, training and development and managers' job satisfaction practices.
- ii. Management concern for employees and personnel policy and practices and career advancement.
- iii. Job satisfaction and personnel policy and practices

## Appendix 2

## The Research Questionnaire and Interview Schedule

Variable.

## PERSONAL DETAILS

## QUESTION 1

1.1. Position: V1

1. Senior Manager
2. Middle manager
3. Officer
4. General staff

1.2. Department V2

1. Administration
2. Personnel
3. Investment/ Corporate Affairs.
4. Technical/ Project Development/Production
5. Finance and Accounting
6. Planning and research
7. General Managers's office
8. Marketing
9. Others\_\_\_\_\_

1.3. Age\_\_\_\_\_ V3

1.4. Sex V4

1. Male
2. Female

## 1.5. Ethnic

V5

1. Malay
2. Chinese
3. Indian
4. Others, (please specify)

## 1.6. Marital Status

V6

1. Married
2. Single

**QUESTION 2**

2.1. Nos of years in the organisation\_\_\_\_\_

V7

2.2. Nos. of years in the position\_\_\_\_\_

V8

2.3. Highest level of education you have attained:

V9

1. Below school certificate
2. School certificate
3. High School certificate
4. Polytechnic/ trade certificate
5. Professional Diploma
6. Bachelor degree
7. Master Degree and above

2.4. What are the principal areas of your education and training?

1. Business
2. Agriculture
3. Economics
4. Engineering/Architecture
5. Arts/Social Science
6. Science
7. Public Administration
8. Others (please specify)

2.5. Nos. of organisations you have worked in the last ten years?

\_\_\_\_\_

V11

2.6. Nos. of positions you have held within this organisation?.

\_\_\_\_\_

V12

2.7. Nos. of times you have been promoted in last ten years?

\_\_\_\_\_

V13

## ORGANISATION

### QUESTION 3

3.1. Types of business activities participated?

V14

1. Trading and Commercial
2. Manufacturing
3. Agriculture
4. Service (Finance, Insurance etc.)
5. Others

## 3.2. Location.

1. North region

2. South

3. East Coast

4. West Coast

## 3.3. Number of employees in the Organisation

\_\_\_\_\_

V16

## 3.4. Nos. of employees in your department?

\_\_\_\_\_

V17

## 4. Percentage of employees in the your Organiastion.:

4.1. Managerial positions\_\_\_\_\_

V18

4.2. Supervisory\_\_\_\_\_

V19

4.3 General staff (technical)\_\_\_\_\_

V20

4.4 General Staff (Clerical)\_\_\_\_\_

V21

## PERSONNEL MANAGEMENT

## Staffing policies and practices

## QUESTION 5

5.1. Does the organisation have a specialised personnel manager? V22

1. Yes 2. No.

5.2. If no/yes, who is in charge of the personnel administration? V23

5.3. What would you identify as the key features of personnel policies V24

5. Are these policies effective? V25

5.5. How important is the personnel manager in the organisation? V26

1	2	3	4	5
Not important			very important	

5.6. Are there specific policies about personnel management (Personnel policies)? V27

1-----Yes 2-----No 3. Not clear cut/not sure

5.7. If yes, who formulates them? V28

1. Top executive/owner

2. Top executive committee

3. General committee

4. personnel manager

5. Adhoc, undiscernable

6. Other (specify)

## 5.8. Main objectives of personnel policies

V29

1. To satisfy the objectives of the individual participant as well as the organisational objectives
2. To select right individuals
3. To avoid trouble makers
4. No specific objectives
5. Others

**QUESTION 6****PERSONNEL PRACTICES**

**Answer**  
**Yes/No**  
**1 2**

6.1. Formalised job description and evaluation	V30
6.2. Formalised employee selection	V31
6.3. Formalised employee appraisal	V32
6.4. Development of selection and promotion criteria	V33
6.5. Wage and salary surveys	V34
6.6. Employee suggestion systems	V35
6.7. Development of management succession charts and management inventory	V36
6.8. Training program (technical)	V37
6.9. Supervisory training	V38
6.10. Management Development	V39
6.11 Are these practices effective?	V40
6.12 If not, why ?	V41



## MANPOWER PLANNING

## QUESTION 7

- |  |     |
|--|-----|
| 7.1. Extensive and continuous  | V42 |
| 7.2. Limited, continuous   | V43 |
| 7.3. Adhoc, discrete   | V44 |
| 7.4. No programme  | V45 |
| 7.5. If there is not programme, how is the manpower planning formulated? | V46 |

## NATURE OF REWARD

## QUESTION 8.

Answer		
Yes	No.	Not so
1	2	3

- |   |     |
|---|-----|
| 8.1. Monetary reward                                    | V47 |
| 8.2. Non-monetary reward                                | V48 |
| 8.3. good working condition                             | V49 |
| 8.4. What types of financial compensation do you use?   |     |
| 1. Executive group                                      | V50 |
| 2. Clerical employees                                   | V51 |
| 3. Technical employees                                  | V52 |
| 8.5. Are you satisfied with the present salary/ reward? | V53 |
| 8.6. Why? Give examples                                 | V54 |

## MANAGERS'S PERCEPTION OF REWARD CRITERIA

### QUESTION 9

The statement below lists five common bases for evaluating individual performance. You are asked to choose three of these statements which best describe the basis on which you are evaluated by your superiors and to rank them using the following scale.

1. Describes the most important basis of evaluation.
2. Describes the next important basis
3. Describes the third most important basis.

- |   |     |
|---|-----|
| 9.1. I am evaluated by my superior on the basis of the performance of my subordinate. _____                                 | V55 |
| 9.2. I am evaluated by my superiors on the basis of overall performance of the product group with which I am working. _____ | V56 |
| 9.3. I am evaluated by my superiors on the basis of my own individual accomplishment. _____                                 | V57 |
| 9.4. I am evaluated by my superiors on the basis of well I get along with others in my own department. _____                | V58 |
| 9.5. I am evaluated by my superiors on the basis I get along with persons in other departments. _____                       | V59 |
| 9.6 LOCATION OF THE ORGANISATION<br>(e.g. Penang, Selangor, etc.)   | V60 |

## SELECTION PROCEDURES

## QUESTION 10

10.1. Do you always advertise vacancies? V61

1 Yes 2 No

10.2. If no, what other means do you use? V62

10.3. What are the methods that you use to recruit your executive personnel? V63

1. Intensive interviews with the help of outside consultants

2. Intensive interview by the executive committee

3. Intensive interviews by the personnel manager, staff, functional managers

4. Simple interviews

5. Adhoc, depending on the manager's concern

10.4. Who selects supervisory personnel? V64

1. Top executive/owner

2. Executive committee

3. Personnel manager

4. Functional manager/Personnel manager

5. Ad hoc, not clear cut

6. Committee, including functional manager

## 10.5. Who selects clerical staff?

V65

1. Top executive /owner
2. Executive committee
3. General staffing committee
- 4 . Personnel manager
5. Personnel manager/functional manager
6. Supervisor/head clerk
7. Others (specify)

## 10.6. Who selects blue-collar worker?

V66

1. Top executive/owner
2. Executive committee
3. General staffing committee
4. Personnel manager
5. Functional manager
6. Personnel manager/functional manager
7. Supervisor/head clerk
8. Others (specify)

- 10.7. On a scale of 1 to 5 (most important), evaluate the importance of these selection criteria in the recruitment of manager?
- |                                 |     |
|---------------------------------|-----|
| 1. Education_____               | V67 |
| 2. Age _____                    | V68 |
| 3. Training and experience_____ | V69 |
| 4. Market contact_____          | V70 |
| 5. Family ties_____             | V71 |
| 6. Others (please specify)_____ | V72 |
- 10.8. Are there any other factors which are important? V73
- 10.9. How do the methods in recruiting executives differ from those used to recruit lower levels of personnel? V74
- 10.10. If by committee, who are the members of the committee? V75

## PERSONNEL APPRAISAL/ WAGE DETERMINATION

## QUESTION 11

11.1. Personnel Appraisal  
System used :

V76

- 1 Periodic report from supervisor
- 2 Standard form
- 3 No formal appraisal system
- 4 Top Management knows every employee
- 5 Adhoc report

11.2. Methods of Appraisal

V77

1. Result-oriented/MBO
2. Personality and trait rating
3. Written report (subjective opinion of superiors)
4. Self-rating
6. Critical Incident
7. Behaviourally Anchored Rating Scales (BARS)
- . Behavioral observation scale (BOS)
9. Peer rating

- 11.3. Do you believe that the appraisal system is working effectively? V78  
 1. Yes 2. No 3. Not really
- 11.4. If yes or no answer, Why? V79
- 11.5. Basis of determining wage and salary level V80  
 1. Wage survey  
 2. Job evaluation  
 3. Government salary scale
- 11.6. Are you agree with the present wage determination? V81  
 1. Yes 2. No 3. Not sure
- 11.7. If no, Why? V82
- 11.8. On a scale of 1 to 5, determine the criteria you think is most effective?
- |           |   |   |   |           |  |
|-----------|---|---|---|-----------|--|
| 1         | 2 | 3 | 4 | 5         |  |
| not       |   |   |   | most      |  |
| important |   |   |   | important |  |
1. Education\_\_\_\_\_ V83
2. Years of experience\_\_\_\_\_ V84
3. both\_\_\_\_\_ V85
4. Ability to get along with others\_\_\_\_\_ V86
5. technical ability\_\_\_\_\_ V87
6. Training and development\_\_\_\_\_ V88
7. Not clear-cut\_\_\_\_\_ V89



11.9. How do you provide for managerial succession?

V90

1. No formal method
2. Management succession chart
3. Job rotation
4. Management development programme
5. Other (please specify)

## PROMOTION

### QUESTION 12

12.1. Who makes executive (senior manager) promotion decisions?

V91

1. General Manager
2. Manager and executive committee
3. Manager and Personnel manager
4. Manager with personnel manager and functional manager
5. Special promotion committee
6. Ad hoc

12.2 If there is a committee, who are the members of the committee?

V92

12.3. Who makes promotion decisions at middle/lower management level? V93

1. Manager
2. Department head
3. Department head with Personnel manager
4. Department head with staffing committee
5. Ad hoc
6. Others (specify)

12.4. Who makes promotion decisions for blue-collar workers? V94

1. Department head or functional manager
2. Department head with Personnel manager
3. Staffing committee
4. Supervisor
5. Ad hoc, not clear-cut

12.5 Who makes hire-and-fire decision for top-level executives V95

1. Executive committee
2. Personnel manager
3. Specific promotion committee
4. Others (please specify)

- 12.6. Who makes hire-and-fire decision for middle management? V96
1. General Manager
  2. Department head or functional manager
  3. Department head with personnel
  4. Department head
  5. Committee
- 12.7. Who makes hire and fire decisions for clerical workers? V97
1. Departmental head or functional manager
  2. Department head with personnel
  3. Staffing committee
  4. Supervisor
  5. General manager.
- 12.8 Who makes hire-and-fire decisions for blue-collar workers? V98
1. Department manager or functional manager
  2. Department manager with personnel manager
  3. General manager only
  4. Committee
- 12.9. Do you believe that these decisions are always valid and fair? V99
1. Yes
  2. No
  3. Do not know
  4. Sometimes
- 12.10. Give reasons V100

12.10 What are the factors affecting selection and promotion procedures for your :

- |                             |      |
|-----------------------------|------|
| 1. High level manpower_____ | V101 |
| 2. Middle managers_____     | V102 |
| 3. supervisory levels_____  | V103 |

12.11. How do you communicate with your employees? V104

- 1 Through union representation
2. Through first-line supervisor
3. Personal dealing
4. Others
5. Through first line supervisor and personnel dealing

12.12 Do you think that there are further promotion opportunities for you? V105

1. Yes    2. No.    3. Don't know    4. should be

## TRAINING AND DEVELOPMENT

### QUESTION 13

13.1 How many in-house training courses have you been on?  
\_\_\_\_\_ V106

13.2 Do you foresee that the staff under your supervision require continuous training? V107

1. Yes            2. No

13.3 Are you happy with the way that training decisions are made? V108

1. Yes            2. No

13.4 If no, why? V109

## THE FUNCTIONS OF PERSONNEL DEPARTMENT

## QUESTION 14

Degree of  
Influence

Score:

- |   |      |
|---|------|
| 1. Complete responsibility  |      |
| 2. shared responsibility  |      |
| 3. No authority   |      |
| 14.1. The total amount of white collar and managerial personnel that ought to be employed                     | V110 |
| 14.2. Appointment of supervisory staff from outside the organisation (external recruitment)                   | V111 |
| 14.3. Promotion of supervisory staff  | V112 |
| 14.4. Salaries of supervisory staff   | V113 |
| 14.5. Training methods to be used (how training should be done)   | V114 |
| 14.6. What and how many welfare facilities to be provided.  | V115 |
| 14.7. To alter responsibilities/ areas of work of specialist departments                                      | V116 |
| 14.8. To alter responsibilities/ areas of work of line departments  | V117 |
| 14.9. To create a new department  | V118 |
| 14.10. To create a new job (functional specialist or line, of any status, probably signed by a new job title) | V119 |

16. Do you believe that the practices of the personnel department are effective in the organisation? V131
- 16.1. Give reasons for effectiveness or for ineffectiveness? V132

### ASPECT OF THE JOB:

### QUESTION 19

On a scale of 1 to 5, how important is

1	2	3	4	5
not				most
important				important

- 19.1. Adequate earnings\_\_\_\_\_ V140
- 19.2. Security of the job\_\_\_\_\_ V141
- 19.3. Good boss\_\_\_\_\_ V142
- 19.4. Opportunity for advancement\_\_\_\_\_ V143
- 19.5. Comfortable working condition\_\_\_\_\_ V144
- 19.6. Type of work you like\_\_\_\_\_ V145
- 19.7. Fair treatment of grievances\_\_\_\_\_ V146
- 19.8. Good company\_\_\_\_\_ V147
- 19.9. Degree of consultation\_\_\_\_\_ V148

## JOB SATISFACTION

## QUESTION 20

21.1. Would you say that you like working in the organisation?

V149

1. Very much

2. Fairly well

3. Indifferent

4. Not much

5. Not at all

21.2. Do you see SEDC as a fair employer?

V150

1. Yes    2. No    3. Not sure

21.3. Concerned about its staff?

V151

1. yes    2. No.    3. Not sure

21.4 Does your present job make full use of your academic achievement, work experience and abilities?

V152

1. Yes    2. No.    3. Don't know



22. Are you generally satisfied with the present job in terms of its provision of the following features:

	Satisfied	Dissatisfied	Not sure/ Indifferent
22.1 Interesting work			V153
22.2 Responsibility			V154
22.3 Career prospects			V155
22.4 Job security			V156
22.5 Pay			V157
22.6 Good relations with colleague			V158
22.7 Good relation with supervisors			V159
22.8 Recognition from management			V160
22.9 Freedom to define content and pace of work			V161
22.10 Communication from management			V162
22.11. Trade union representation			V163

**Appendix 3****State Economic Development Corporations, West Malaysia****1. Johor**

Johor State Economic Development Corporation  
9th. Floor, Tun Abdul Razak Complex  
Jalan Wong Ah Fook, P.O. Box 307  
80730 Johor Baru, Johor.

**2. Kedah**

Kedah State Development Corporation  
14th. Floor, Wisma PKNK  
Jalan sultan Badlishah, P.O.Box 140  
05710 Alor Setar, Kedah.

**3. Kelantan**

Kelantan State Economic Development Corporation  
9th. - 11th. Floors, Bangunan PKINK  
Jalan Tengku Maharani, P.O. Box 142  
15710 Kota Bharu, Kelantan.

**4. Melaka**

Melaka State Development Corporation  
Bangunan Dewan Negeri, P.O. Box 221  
745055 Melaka.

**5. Negeri Sembilan**

Negeri Sembilan Development Corporation  
Bangunan PKNS  
Jalan Yam Tuan, P.O. Box 158  
70710 seremban, Negeri Sembilan.

6. **Pahang**  
Pahang State Development Board  
13th - 16th. Floors, Kompleks Teruntum  
Jalan Mahkota,  
25000 Kuantan, Pahang.
7. **Penang**  
Penang Development Corporation  
1, Jalan Sungei Nibong  
Bandar Bayan Baru, P.O. Box 967  
10820 Penang.
8. **Perak**  
Perak State Development Corporation  
Wisma Wan Mohamad  
Jalan Kelab, P.O.Box 217  
30904 Ipoh, Perak.
9. **Perlis**  
Perlis State Economic Development Corporation  
Kangar, Perlis.
10. **Selangor**  
Selangor State Development Corporation  
PKNS, Persiaran Barat  
Off Jalan Barat  
46505 Petaling Jaya, Selangor.
11. **Terengganu**  
Terengganu State Economic Development Corporation  
2nd. Floor, Wisma Maju  
Jalan Bunga Raya  
Kuala Terengganu, Terengganu.

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TO WHOM IT MAY CONCERN.

JUHARY HAJI ALI.

Juhary Haji Ali is a student in the Department of Management at the University of St. Andrews.

He is presently studying for his PHD, which focuses on the policies and practices of personnel management in State owned enterprises in Malaysia.

In order to satisfy the requirements of doctoral research at this University Mr. Ali must conduct case study analysis.

On behalf of the University I would be grateful if you could cooperate in this research project.

If you require any further information please do not hesitate to contact me at the above address.

Yours sincerely,

*D. L. Collinson*

DR. D. L. COLLINSON.

CERTIFIED TRUE COPY

*[Signature]*

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